CONSOLIDATED FINANCIAL STATEMENTS

of the PGE Polska Grupa Energetyczna S.A. Capital Group for the year 2024

ended 31 December 2024
in accordance with EU IFRS (in PLN million)

Polska Grupa Energetyczna

SELECTED CONSOLIDATED FINANCIAL DATA OF THE PGE GROUP

	Year ended 31 December		Year ended 31 December	
	2024	2023	2024	2023
	PLN million		EUR million	
Sales revenue	**64,483**	**95,964**	**14,981**	**21,192**
Operating loss	(65)	(3,431)	(15)	(758)
Gross loss	(772)	(4,055)	(179)	(895)
Net loss	**(3,088)**	**(4,902)**	**(717)**	**(1,083)**
Net loss attributable to shareholders of the parent company	(3,163)	(5,012)	(735)	(1,107)
Comprehensive income	(2,360)	(6,673)	(548)	(1,474)
Net cash from operating activities	10,806	3,269	2,511	722
Net cash from investing activities	(10,300)	(11,451)	(2,393)	(2,529)
Net cash from financing activities	(2,176)	2,328	(506)	514
Net change in cash and cash equivalents	(1,670)	(5,854)	(388)	(1,293)
Net loss per share attributable to shareholders of the parent company (in PLN/EUR per share)	**(1.41)**	**(2.23)**	**(0.33)**	**(0.49)**
Diluted net loss per share attributable to shareholders of the parent company (in PLN/EUR per share)	**(1.41)**	**(2.23)**	**(0.33)**	**(0.49)**
Weighted average number of issued ordinary shares used to calculate profit per share	2,243,712,994	2,243,712,994	2,243,712,994	2,243,712,994

	As at		As at	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	PLN million		EUR million	
Non-current assets	76,302	78,340	17,857	18,017
Current assets	27,692	35,103	6,481	8,073
Total assets	**103,994**	**113,443**	**24,337**	**26,091**
Equity	45,529	47,855	10,655	11,006
Equity attributable to shareholders of the parent company	44,471	46,874	10,407	10,781
Share capital	**19,184**	**19,184**	**4,490**	**4,412**
Non-current liabilities	23,749	23,378	5,558	5,377
Current liabilities	34,716	42,210	8,125	9,708
Number of shares at the end of the reporting period	2,243,712,994	2,243,712,994	2,243,712,994	2,243,712,994
Book value per share (in PLN/EUR per share)	**19.82**	**20.89**	**4.64**	**4.80**
Diluted book value per share (in PLN/EUR per share)	**19.82**	**20.89**	**4.64**	**4.80**

The above financial data have been converted into EUR in accordance with the following rules:
▪ the particular items of assets equity and liabilities – at the average exchange rate specified by the National Bank of Poland as at 31 December 2024 –EUR/PLN 4.2730 and as at 31 December 2023 – EUR/PLN 4.3480.
▪ the particular items in the statement of comprehensive income and the statement of cash flows – at an exchange rate constituting the arithmetic mean of the average exchange rates specified by the National Bank of Poland for the last day of each month in the financial year from 1 January 2024 to 31 December 2024 – EUR/PLN 4.3042; for the period from 1 January 2023 to 31 December 2023 – EUR/PLN 4.5284.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2024	Year ended 31 December 2023 *restarted**
SALES REVENUE	*7.1*	**64,483**	**95,964**
Cost of goods sold	*7.2*	(63,165)	(87,931)
GROSS PROFIT ON SALES		**1,318**	**8,033**
Distribution and selling expenses	*7.2*	(928)	(8,151)
General and administrative expenses	*7.2*	(1,943)	(1,853)
Other net operating income/(expenses)	*7.3*	1,488	(1,460)
OPERATING LOSS		**(65)**	**(3,431)**
Net finance income/(expenses), of which:	*7.4*	(628)	(626)
Interest income calculated using the effective interest rate method		*520*	*1,184*
Share in the profit/(loss) of entities accounted for using the equity method	*7.5*	(79)	2
GROSS LOSS		**(772)**	**(4,055)**
Income tax expense	*8.1*	(2,316)	(847)
NET LOSS		**(3,088)**	**(4,902)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in the future:		**554**	**(1,068)**
Measurement of debt of financial instruments	*19.3*	(4)	11
Measurement of hedging instruments	*19.3*	689	(1,325)
Foreign exchange differences on translation of foreign operations		(1)	(4)
Deferred tax	*8.1*	(130)	250
Items that may not be reclassified to profit or loss in the future:		**174**	**(703)**
Actuarial gains and losses from valuation of provisions for employee benefits	*21*	216	(868)
Deferred tax	*8.1*	(42)	164
Share in the result of entities accounted for using the equity method	*7.5*	-	1
NET OTHER INCOME		**728**	**(1,771)**
TOTAL COMPREHENSIVE INCOME		**(2,360)**	**(6,673)**
NET LOSS ATTRIBUTABLE TO:			
shareholders of the parent company		(3,163)	(5,012)
non-controlling interests		75	110
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
shareholders of the parent company		(2,434)	(6,782)
non-controlling interests		74	109
NET PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY (IN PLN)	*19.7*	**(1.41)**	**(2.23)**
DILUTED NET PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY (IN PLN)		**(1.41)**	**(2.23)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2024	As at 31 December 2023
Property, plant and equipment	9	66,941	68,508
Intangible assets	10	1,938	1,952
Rights to use assets	11	1,893	1,852
Financial receivables	24.1.1	289	254
Derivatives and other assets measured at fair value through profit or loss	24.1.2	310	278
Shares, interests and other capital instruments		94	102
Shares accounted for using the equity method	12	371	453
Other non-current assets	16.1	1,244	1,147
CO_2 emission allowances for own use	15	69	20
Deferred income tax assets	13.1	3,153	3,774
NON-CURRENT ASSETS		**76,302**	**78,340**
Inventories	14	2,889	3,773
CO_2 emission allowances for own use	15	10,844	10,517
Income tax receivables	26.1	291	967
Derivatives and other assets measured at fair value through profit or loss	24.1.2	169	116
Trade receivables and other financial receivables	24.1.1	7,931	10,516
Other current assets	16.2	1,205	3,181
Cash and cash equivalents	17	4,363	6,033
CURRENT ASSETS		**27,692**	**35,103**
TOTAL ASSETS		**103,994**	**113,443**
Share capital	19.1	19,184	19,184
Supplementary capital	19.2	22,252	28,146
Hedging reserve	19.3	(540)	(1,095)
Foreign exchange differences	19.4	(2)	(1)
Retained earnings	19.5	3,577	640
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**44,471**	**46,874**
Equity attributable to non-controlling interests	19.6	1,058	981
TOTAL EQUITY		**45,529**	**47,855**
Non-current provisions	20	9,109	9,746
Credits, loans, bonds and leases	24.1.3	10,461	10,384
Derivative instruments	24.1.2	782	351
Deferred income tax liabilities	13.2	1,470	1,055
Deferred income and government grants	22.1	1,539	1,147
Other financial liabilities	24.1.4	205	524
Other non-financial liabilities	23.1	183	171
NON-CURRENT LIABILITIES		**23,749**	**23,378**
Current provisions	20	18,475	23,263
Credits, loans, bonds and leases	24.1.3	2,731	4,513
Derivative instruments	24.1.2	509	1,682
Trade and other payables	24.1.4	8,172	7,609
Income tax liabilities		802	260
Deferred income and government grants	22.2	181	105
Other non-financial liabilities	23.2	3,846	4,778
CURRENT LIABILITIES		**34,716**	**42,210**
TOTAL LIABILITIES		**58,465**	**65,588**
TOTAL EQUITY AND LIABILITIES		**103,994**	**113,443**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Hedging reserve	Foreign exchange differences	Retained earnings	Total	Non-controlling interests	Total equity
Note	*19.1*	*19.2*	*19.3*	*19.4*	*19.5*		*19.6*	
1 JANUARY 2024	**19,184**	**28,146**	**(1,095)**	**(1)**	**640**	**46,874**	**981**	**47,855**
Net profit/(loss) for the reporting period	-	-	-	-	(3,163)	(3,163)	75	(3,088)
Other comprehensive income	-	-	555	(1)	175	729	(1)	728
COMPREHENSIVE INCOME	**-**	**-**	**555**	**(1)**	**(2,988)**	**(2,434)**	**74**	**(2,360)**
Retained earnings settlement	-	(5,894)	-	-	5,894	-	-	-
Dividend	-	-	-	-	-	-	(1)	(1)
Share of change in capital of jointly controlled entities	-	-	-	-	37	37	-	37
Settlement of the purchase of additional shares in subsidiaries	-	-	-	-	(4)	(4)	4	-
Other changes	-	-	-	-	(2)	(2)	-	(2)
31 DECEMBER 2024	**19,184**	**22,252**	**(540)**	**(2)**	**3,577**	**44,471**	**1,058**	**45,529**

	Share capital	Supplementary capital	Hedging reserve	Foreign exchange differences	Retained earnings	Total	Non-controlling interests	Total equity
Note	*19.1*	*19.2*	*19.3*	*19.4*	*19.5*		*19.6*	
1 JANUARY 2023	**19,184**	**25,049**	**(32)**	**4**	**9,333**	**53,538**	**845**	**54,383**
Net profit/(loss) for the reporting period	-	-	-	-	(5,012)	(5,012)	110	(4,902)
Other comprehensive income	-	-	(1,063)	(5)	(702)	(1,770)	(1)	(1,771)
COMPREHENSIVE INCOME	**-**	**-**	**(1,063)**	**(5)**	**(5,714)**	**(6,782)**	**109**	**(6,673)**
Retained earnings settlement	-	3,097	-	-	(3,097)	-	-	-
Dividend	-	-	-	-	-	-	(2)	(2)
Share of change in capital of jointly controlled entities	-	-	-	-	129	129	-	129
Settlement of the purchase of additional shares in subsidiaries	-	-	-	-	(12)	(12)	2	(10)
Capital increase by shareholders	-	-	-	-	-	-	28	28
Other changes	-	-	-	-	1	1	(1)	-
31 DECEMBER 2023	**19,184**	**28,146**	**(1,095)**	**(1)**	**640**	**46,874**	**981**	**47,855**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2024	Year ended 31 December 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross loss		**(772)**	**(4,055)**
Income tax paid	*26.1*	(236)	(1,954)
Adjustments for:			
Share of profit / loss of equity-accounted investees		79	(2)
Depreciation, liquidation, and write-downs		12,279	13,455
Interest and dividend, net		484	(13)
Profit on investing activities	*26.1*	(221)	488
Change in receivables	*26.1*	2,587	(737)
Change in inventories	*26.1*	791	1,236
Change in CO_2 emission allowances for own use		(376)	(5,669)
Change in liabilities, excluding loans and credits	*26.1*	(679)	(1,004)
Change in other non-financial assets and in the balance of accruals and prepayments	*26.1*	1,834	(1,073)
Change in provisions	*26.1*	(5,048)	2,815
Other		84	(218)
NET CASH FROM OPERATING ACTIVITIES		**10,806**	**3,269**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of PPE and IA		20	43
Acquisition of PPE and IA	*26.2*	(10,346)	(9,733)
Placement of deposits with maturities over 3 months	*26.2*	(413)	(237)
Withdrawal of deposits with maturities over 3 months	*26.2*	354	256
Acquisition of financial assets		(25)	(61)
Acquisition of a fully consolidated entity, net of cash acquired	*26.2*	-	(1,820)
Interest received	*26.2*	137	72
Loans granted	*26.2*	(20)	-
Disposal of other financial assets		-	25
Other		(7)	4
NET CASH FROM INVESTING ACTIVITIES		**(10,300)**	**(11,451)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue to non-controlling shareholders	*26.3*	37	157
Proceeds from acquired loans, credits	*26.3*	6,914	9,114
Repayment of loans, credits and leases	*26.3*	(8,790)	(6,365)
Interest paid	*26.3*	(687)	(702)
Subsidies received for non-current assets		352	128
Other		(2)	(4)
NET CASH FROM FINANCING ACTIVITIES		**(2,176)**	**2,328**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,670)**	**(5,854)**
Net foreign exchange differences		(13)	(40)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*17*	**6,033**	**11,887**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*17*	**4,363**	**6,033**

GENERAL INFORMATION, BASIS FOR PREPARATION OF FINANCIAL STATEMENTS AND OTHER EXPLANATORY INFORMATION

1. General information

1.1 Information on the parent company

PGE Polska Grupa Energetyczna S.A. was established on the basis of the Notary Deed of 2 August 1990 and registered in the District Court in Warsaw, the 16th Commercial Division, on 8 September 1990. The Company is entered in the National Court Register maintained by the District Court Lublin-Wschód in Lublin with its registered office in Świdnik, the 6th Commercial Division of the National Court Register under number 0000059307. The Company's registered office is located in Poland in Lublin, at Aleja Kraśnicka 27.

On 1 January 2024, the composition of the Management Board was as follows:

- Wojciech Dąbrowski – President of the Management Board,
- Wanda Buk – Vice President of the Management Board,
- Przemysław Kołodziejak – Vice President of the Management Board,
- Lechosław Rojewski – Vice President of the Management Board,
- Rafał Włodarski – Vice President of the Management Board.

As at the date of approval of these consolidated financial statements for publication, the composition of the Management Board was as follows:

- Dariusz Marzec – President of the Management Board,
- Maciej Górski – Vice-President of the Management Board,
- Przemysław Jastrzębski – Vice-President of the Management Board,
- Robert Kowalski – Vice-President of the Management Board,
- Marcin Laskowski – Vice President of the Management Board.

In the current period, up to the date of approval of these consolidated financial statements for publication, the following changes occurred in the composition of the Management Board:

	Term of office	
	from	to
Wojciech Dąbrowski	20 February 2020	7 February 2024
Wanda Buk	1 September 2020	7 February 2024
Przemysław Kołodziejak	1 May 2023	4 April 2024
Lechosław Rojewski	9 June 2021	28 February 2024
Rafał Włodarski	9 January 2023	7 February 2024
Eryk Kosiński*	7 February 2024	17 March 2024
Małgorzata Banasik**	7 February 2024	8 March 2024
Dariusz Marzec	18 March 2024	today
Marcin Laskowski	18 March 2024	today
Robert Kowalski	15 May 2024	today
Maciej Górski	24 June 2024	today
Przemysław Jastrzębski	15 July 2024	today

** Member of the Supervisory Board delegated to temporarily act as President of the Management Board*
*** Member of the Supervisory Board delegated to temporarily act as Member of the Management Board*

Ownership structure

The shareholding structure of the parent company was as follows:

	As at 31 December 2024	As at 31 December 2023
State Treasury	60.86%	60.86%
Other shareholders	39.14%	39.14%
Total	**100.00%**	**100.00%**

The ownership structure as at the particular reporting dates is presented on the basis of the information available in the Company.

According to information available to the Company, as at the date of publication of these financial statements, the State Treasury is the only shareholder holding at least 5% of the total number of votes at the General Meeting of Shareholders of PGE S.A.

1.2 PGE Capital Group information

The PGE Polska Grupa Energetyczna S.A. Group comprises the parent company, PGE S.A., and 79 subsidiaries included in the consolidation. The consolidation also includes two entities classified as joint operations, five associates, and one jointly controlled entity. Additional information on the entities included in the consolidated financial statements can be found in Note 1.3.

These consolidated financial statements of the PGE Group cover the period from 1 January 2024 to 31 December 2024 and include comparative data for the period from 1 January 2023 to 31 December 2023, as well as at 31 December 2023.

The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the parent company and in accordance with consistent accounting principles.

The core business activities of the PGE Group companies include:

- electricity generation,
- distribution of electricity, including traction networks,
- wholesale and retail trading in electricity, property rights, CO_2 emission allowances, and natural gas,
- generation and distribution of heat,
- provision of other services related to the activities mentioned above.

The Group's activities are conducted on the basis of the relevant licences granted to each of the Group entities. The PGE Group primarily operates within the territory of Poland.

Going concern

These financial statements have been prepared on the assumption that the Group's significant companies will continue as a going concern for a period of at least 12 months from the reporting date.

As at 31 December 2024, the companies PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., and ENESTA sp. z o.o. in restructuring reported negative equity and meet the conditions under Article 397 of the Polish Commercial Companies Code indicating a threat to the continued existence of the company.

The negative equity of PGE Obrót S.A. is primarily the result of a net loss of PLN (2,458) million incurred in 2023, which was mainly caused by regulatory changes affecting the retail electricity trading market and the approval by the President of the Energy Regulatory Office of a household tariff that did not fully cover the cost of electricity procurement. PGE Obrót S.A. has access to financing provided by PGE S.A. On 17 February 2025, PGE Obrót S.A. and PGE S.A. signed a new loan agreement for a period of three years with a limit of PLN 1,500.00 million. PGE S.A. does not intend to sell or liquidate PGE Obrót S.A. within at least 12 months from the reporting date and is able to provide the company with appropriate support. Therefore, the assumption of going concern for this company is considered justified. The impact of regulatory changes on the PGE Group's operations is described in Note 32.4 to these financial statements.

The negative equity of PGE Górnictwo i Energetyka Konwencjonalna S.A. is primarily the result of impairment losses on property, plant and equipment recognised in previous years as well as in 2024, as described in Note 3.2 to these financial statements. On 26 July 2024, the General Meeting of PGE GiEK S.A. adopted a resolution regarding the continued existence of the company. The company is undertaking measures aimed at improving efficiency, including:

- taking steps to discontinue operations in selected locations,
- reducing maintenance costs for assets that are to be decommissioned in the near future,
- reducing personnel costs.

PGE GiEK S.A. has access to financing provided by PGE S.A., which is capable of ensuring adequate support for the continuation of PGE GiEK S.A.'s operations for a period of at least 12 months from the reporting date. Consequently, the assumption of the company's going concern is justified.

The situation of ENESTA sp. z o.o. in restructuring results from unfavourable electricity and natural gas supply contracts signed in 2021, which were also terminated in the same year. On 21 June 2022, restructuring (remedial) proceedings were initiated. In September 2023, the share capital of ENESTA was increased by PLN 32 million and in December 2023 by a further PLN 34 million. The shares in the increased capital were fully subscribed and paid for by PGE Obrót S.A. To support ENESTA's liquidity, PGE S.A. and PGE Obrót S.A. have

extended the payment deadlines in their settlements with ENESTA and approved instalment repayments of outstanding liabilities. Given the above support and ENESTA's ongoing implementation of the restructuring plan, the financial statements of this company have been prepared on a going concern assumption.

Apart from the matters described above, as at the date of approval of these financial statements for publication, there are no circumstances indicating a threat to the going concern of any significant Group entities within 12 months from the reporting date. These circumstances do not affect the going concern assumption for the Group as a whole.

1.3 PGE Capital Group Composition

1.3.1 Direct and indirect subsidiaries consolidated using the full method

	Name of entity	Shareholder	Shares held by PGE CG companies as at 31 December 2024	Shares held by PGE CG companies as at 31 December 2023
	SEGMENT: SUPPLY			
1.	PGE Polska Grupa Energetyczna S.A. Lublin	Parent company		
2.	PGE Dom Maklerski S.A. Warsaw	PGE S.A.	100.00%	100.00%
3.	PGE Obrót S.A. Rzeszów	PGE S.A.	100.00%	100.00%
4.	ENESTA sp. z o.o. in restructuring Stalowa Wola	PGE Obrót S.A.	94.51%	92.25%
5.	PGE Paliwa sp. z o.o. Kraków	PGE EC S.A.	100.00%	100.00%
6.	Energoserwis – Kleszczów sp. z o.o. Rogowiec	PGE S.A.	51.00%	51.00%
	SEGMENT: CONVENTIONAL GENERATION			
7.	PGE Górnictwo i Energetyka Konwencjonalna S.A. Bełchatów	PGE S.A.	100.00%	100.00%
8.	MegaSerwis sp. z o.o. Bogatynia	PGE GiEK S.A.	100.00%	100.00%
9.	ELMEN sp. z o.o. Wola Grzymalina	PGE GiEK S.A.	100.00%	100.00%
10.	ELTUR-SERWIS sp. z o.o. Bogatynia	PGE GiEK S.A.	100.00%	100.00%
11.	„Betrans" sp. z o.o. Kalisko	PGE GiEK S.A.	100.00%	100.00%
12.	BESTGUM POLSKA sp. z o.o. Rogowiec	PGE GiEK S.A.	100.00%	100.00%
13.	RAMB sp. z o.o. Piaski	PGE GiEK S.A.	100.00%	100.00%
	SEGMENT: DISTRICT HEATING			
14.	PGE Energia Ciepła S.A. Warsaw	PGE S.A.	100.00%	100.00%
15.	PGE Toruń S.A. Toruń	PGE EC S.A.	95.34%	95.22%
16.	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Wrocław	PGE EC S.A.	58.07%	58.07%
17.	Elektrociepłownia Zielona Góra S.A. Zielona Góra	KOGENERACJA S.A.	100.00%	100.00%
18.	„MEGAZEC" sp. z o.o. Bydgoszcz	PGE S.A.	100.00%	100.00%
	SEGMENT: CIRCULAR ECONOMY			
19.	PGE Ekoserwis S.A. Wrocław	PGE S.A.	100.00%	100.00%
20.	ZOWER sp. z o.o. Rybnik	PGE Ekoserwis S.A.	100.00%	100.00%
	SEGMENT: GAS-FIRED GENERATION			
21.	PGE Gryfino Dolna Odra sp. z o. o. (formerly PGE Gryfino 2050 sp. z o.o.) Warsaw	PGE S.A.	100.00%	100.00%
22.	PGE Nowy Rybnik sp. z o.o. (formerly Rybnik 2050 sp. z o.o.) Rybnik	PGE S.A.	100.00%	100.00%

	Name of entity	Shareholder	Shares held by PGE CG companies as at 31 December 2024	Shares held by PGE CG companies as at 31 December 2023
	SEGMENT: RENEWABLES			
23.	PGE Energia Odnawialna S.A. Warsaw	PGE S.A.	100.00%	100.00%
24.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
25.	Elektrownia Wiatrowa Baltica-4 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%
26.	Elektrownia Wiatrowa Baltica-5 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%
27.	Elektrownia Wiatrowa Baltica-6 sp. z o.o. Warsaw	PGE S.A.	66.24%	66.24%
28.	Elektrownia Wiatrowa Baltica-7 sp. z o.o. Warsaw	PGE S.A.	55.04%	55.04%
29.	Elektrownia Wiatrowa Baltica-8 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
30.	Elektrownia Wiatrowa Baltica 9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
31.	Elektrownia Wiatrowa Baltica 10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
32.	Elektrownia Wiatrowa Baltica 11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
33.	Elektrownia Wiatrowa Baltica 12 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
34.	PGE Baltica 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
35.	PGE Baltica 3 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
36.	PGE Baltica 5 sp. z o.o. Warsaw	PGE Baltica 3 sp. z o.o.	100.00%	100.00%
37.	PGE Baltica 6 sp. z o.o. Warsaw	PGE Baltica 2 sp. z o.o.	100.00%	100.00%
38.	PGE Baltica sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
39.	PGE Soleo 2 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
40.	Mithra D sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
41.	Mithra F sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
42.	Mithra G sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
43.	Mithra H sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
44.	Mithra I sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
45.	Mithra K sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
46.	Mithra M sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
47.	Mithra N sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
48.	Mithra O sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
49.	Mithra P sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
50.	LongWing Polska sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
	SEGMENT: DISTRIBUTION			
51.	PGE Dystrybucja S.A. Lublin	PGE S.A.	100.00%	100.00%
	SEGMENT: RAILWAY ENERGY SERVICES			
52.	PGE Energetyka Kolejowa Holding sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
53.	PGE Energetyka Kolejowa S.A. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
54.	PGE Energetyka Kolejowa Obsługa sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
55.	PGE Energetyka Kolejowa CUW sp. z o.o. Łódź	PGE EKH sp. z o.o.	100.00%	100.00%

	Name of entity	Shareholder	Shares held by PGE CG companies as at 31 December 2024	Shares held by PGE CG companies as at 31 December 2023
56.	Energetyka Kolejowa Budownictwo sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
57.	Energetyka Kolejowa sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
58.	Energetyka Kolejowa Obrót sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
59.	Cedton Investments sp. z o. o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
60.	Remton Investments sp. z o. o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
	SEGMENT: OTHER ACTIVITIES			
61.	PGE Systemy S.A. Warsaw	PGE S.A.	100.00%	100.00%
62.	PGE Sweden AB (publ) Stockholm	PGE S.A.	100.00%	100.00%
63.	PGE Synergia sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
64.	ELBIS sp. z o.o. Rogowiec	PGE S.A.	100.00%	100.00%
65.	PGE Inwest 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
66.	PGE Ventures sp. z o. o. Warsaw	PGE S.A.	100.00%	100.00%
67.	PGE Inwest 9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
68.	PGE Inwest 10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
69.	PGE Inwest 11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
70.	PGE Inwest 12 sp. z o.o. Warsaw	PGE S.A.	51.00%	100.00%
71.	PGE Asekuracja S.A. Warsaw	PGE S.A.	100.00%	100.00%
72.	PGE Inwest 14 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	-
		PGE S.A.	-	100.00%
	PGE Nowa Energia sp. z o.o. in liquidation Warsaw	PGE S.A.	-	100.00%
73.	PGE Inwest 20 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
74.	PGE Inwest 21 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	-
		PGE S.A.	-	100.00%
75.	PGE Inwest 22 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	-
		PGE S.A.	-	100.00%
76.	PGE Inwest 23 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
77.	PGE Inwest 24 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	-
		PGE S.A.	-	100.00%
78.	PGE Inwest 25 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
79.	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
80.	Elbest Security sp. z o. o. Bełchatów	PGE S.A.	100.00%	100.00%

The following changes in the structure of PGE Capital Group companies consolidated using the full consolidation method, which occurred up to 31 December 2024, have been included in the above table:

- On 17 October 2023, the Extraordinary General Meeting of Shareholders of PGE Inwest 12 sp. z o.o. adopted a resolution to increase the company's share capital by PLN 35 million. The capital increase was subscribed for by PGE S.A. and the National Fund for Environmental Protection and Water Management (NFOŚiGW) in exchange for a cash contribution. NFOŚiGW subscribed for 20,200 shares worth PLN 20.2 million, and PGE S.A. for 14,830 shares worth PLN 14.8 million. As a result, PGE S.A.'s stake decreased to 51%. On 4 March 2024, the increase in the company's share capital was entered in the National Court Register.

- On 18 December 2023, the Extraordinary General Meeting of Shareholders of ENESTA sp. z o.o. in restructuring adopted a resolution to increase share capital by PLN 34 million through the creation of 34,000 new shares with a nominal value of PLN 1,000.00 each. All shares were subscribed for by PGE Obrót S.A. and paid for in March 2024. As a result of the capital increase, the share in the capital of ENESTA sp. z o.o. in restructuring increased to 94.51%. At the same time, equity attributable to the shareholders of the parent company decreased by PLN 4 million. The capital increase was registered in the National Court Register on 17 June 2024.
- On 16 February 2024, the liquidation of PGE Nowa Energia sp. z o.o. w likwidacji was completed, and the company was removed from the National Court Register.
- On 11 June 2024, the Ordinary General Meeting of PGE Toruń S.A. resolved to carry out a compulsory buyout by PGE Energia Ciepła S.A. of 48,220 registered ordinary shares from minority shareholders, representing 0.12% of the share capital of PGE Toruń S.A. As a result of the buyout and the corresponding update of the shareholder register, PGE Energia Ciepła S.A.'s share in PGE Toruń S.A. increased from 95.22% to 95.34%.
- On 10 December 2024, four share purchase agreements were concluded between PGE S.A. (seller) and PGE EO S.A. (buyer) for the sale of all shares held by PGE S.A. in the following companies: PGE Inwest 14 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 24 sp. z o.o. The transfer of ownership of the shares to PGE Energia Odnawialna S.A. took place on 10 December 2024.

1.3.2 Joint operations consolidated based on the share of assets, liabilities, revenue and expenses attributable to the PGE CG

	Name of entity	Shareholder	Shares held by PGE CG companies as at 31 December 2024	Shares held by PGE CG companies as at 31 December 2023
	SEGMENT: RENEWABLES			
1.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. Warsaw	PGE Baltica 6 sp. z o.o.	50.00%	50.00%
2.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. Warsaw	PGE Baltica 5 sp. z o.o.	50.00%	50.00%

1.3.3 Associates and jointly-controlled companies consolidated under the equity method

	Name of entity	Shareholder	Shares held by PGE CG companies as at 31 December 2024	Shares held by PGE CG companies as at 31 December 2023
1.	Polimex Mostostal S.A. Warsaw	PGE S.A.	16.33%	16.22%
2.	Przedsiębiorstwo Energetyki Cieplnej S.A. Bogatynia	PGE EC S.A.	34.93%	34.93%
3.	ZPBE Energopomiar sp. z o.o. Gliwice	PGE GiEK S.A.	49.79%	49.79%
4.	PGE SOLEO KLESZCZÓW sp. z o.o. Kleszczów	PGE EO S.A.	50.00%	50.00%
5.	PGE PAK Energia Jądrowa S.A. Konin	PGE S.A.	50.00%	50.00%
6.	Elester sp. z o.o. Łódź	PGE EKH sp. z o.o.	39.96%	39.96%
		PGE EK S.A.	50.00%	50.00%

1.4 Accounting for the acquisition of new subsidiaries

Acquisition of LongWing POLSKA sp. z o.o.

On 20 September 2023, PGE Energia Odnawialna S.A. acquired 100% of the shares in LongWing Polska sp. z o.o. from Solar Energy Ressources S.A R.L. and Ser WindPark Zalesie GmbH, for a value of EUR 17.5 million. The newly acquired company owns the Zalesie wind farm with a capacity of 24.85 MW, located in the Warmińsko-Mazurskie Voivodeship.

The total transaction value amounted to PLN 338 million. An amount of PLN 82 million constituted the payment for the shares, while PLN 256 million related to the subrogation of liabilities.

In these financial statements, the transaction was subject to final settlement in accordance with the requirements of IFRS 3 *Business Combinations* and has been recognised as an asset acquisition. A surplus of PLN 104 million was allocated to Property, Plant and Equipment and will be depreciated over a period of 30 years.

2. Basis for preparation of the financial statements

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee.

2.2 Presentation and functional currency

The parent company's functional currency and the presentation currency of these consolidated financial statements is the Polish zloty. All amounts are in PLN million, unless indicated otherwise.

At the reporting date, for the purpose of translation of items denominated in currencies other than PLN, the following exchange rates were applied:

	31 December 2024	31 December 2023
USD	4.1012	3.9350
EUR	4.2730	4.3480

2.3 New standards and interpretations published, not yet effective

The following standards, changes in the already effective standards and interpretations are not endorsed by the European Union or are not effective on 1 January 2024.

Standard	Description of changes	Effective date
IFRS 14 Regulatory Deferral Accounts	The principles of accounting and disclosure for regulatory deferral accounts.	In accordance with the decision of the European Commission, the approval process of the standard in its preliminary version will not be initiated before the standard in its final version is published.
Changes to IFRS 10 and IAS 28	The guidelines concerning sales transactions or an investor's contribution of assets to an associate or a joint venture.	Work on the approval of the changes has been suspended indefinitely
Changes to IAS 21	The changes relate to the effects of changes in foreign currency exchange rates – lack of convertibility	01 January 2025
Annual standard changes, release 11	The changes relate to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7.	1 January 2026
Changes to IFRS 9 and IFRS 7	The changes relate to disclosures in the classification and measurement of financial instruments.	1 January 2026
Changes to IFRS 9 and IFRS 7	Amendments covering renewable energy contracts	1 January 2026

IFRS 18	Presentation and disclosures in the financial statements	1 January 2027
IFRS 19	Disclosure of information	1 January 2027

From a preliminary analysis, it results that only IFRS 18 will cause a change in the presentation of future financial statements. The Group believes that the other new standards and changes to standards will not have an impact on its future financial statements.

The Capital Group intends to accept the aforementioned standards and changes to EU IFRS standards and interpretations as published by the International Accounting Standards Board, but not effective as at the reporting date, after they have entered into force.

2.4 The Management Board's professional judgement and estimates

In the process of applying the accounting policy to the foregoing issues, the most important element, besides accounting estimates, was the management's professional opinion, which influences the values disclosed in the consolidated financial statements, including the additional explanatory notes. The assumptions of these estimates are based on the Management Board's best knowledge of current and future activities and events in the respective areas. Detailed information on the adopted assumptions is presented below or in the relevant notes.

- During the reporting period, the Group carried out an analysis of the circumstances and subsequent impairment testing for property, plant and equipment. The results of the tests are described in note 3 to these financial statements. The estimation of the recoverable amount of property, plant and equipment is based on a number of significant assumptions, the realisation of which is uncertain and, to a large extent, beyond the control of the PGE Capital Group. The Group has adopted the values and figures it considers most appropriate; however, it cannot be ruled out that the actual outcome of individual assumptions will differ from those adopted by the Group.
- Provisions are liabilities whose amount or timing of payment is uncertain. During the reporting period, the Group revised its estimates regarding the justification or amount of certain provisions. In particular, during the reporting period, the provision for rehabilitation costs and the provision for employee benefits were updated due to changes in the discount rate. Details are set out in note 20 to these financial statements.
- At the end of the current reporting period, the Group estimated the imbalance of electricity fed into the grid by prosumers. Electricity generated and fed into the grid by prosumers supplies the grid during periods of overproduction, thereby reducing the Group's need to purchase energy from the market. However, during the autumn and winter months, when prosumers consume electricity but are unable to cover their own demand through production, the Group must purchase the shortfall on the market. As a result, the Group recognised a provision of PLN 166 million. In the previous period, the Group was not able to reliably estimate this obligation, as it lacked sufficient data and tools to perform the estimate. Based on current knowledge, the provision as at 31 December 2023 would have amounted to approximately PLN 57 million. The comparative data have not been restated.
- Uncertainties related to tax settlements are described in note 29 to these consolidated financial statements.
- The Group makes significant estimates in respect of recognised contingent liabilities. Relevant details are set out in note 27 to these financial statements.
- Measurement of financial instruments results from a number of assumptions and estimates based on data available at the time the financial statements were being prepared. Changes in these assumptions and estimates may affect the future financial statements of the PGE CG.
- Due to the electricity market crisis in 2022, a number of legal regulations came into force, which required the PGE Capital Group to estimate revenues and costs related to compensation for coal purchases, compensations and price adjustments for households under the relevant act, and contributions to the Price Difference Payment Fund under the Act on extraordinary measures in 2023. A detailed description of these estimates is provided in Notes 32.3 and 32.4 of there financial statements.
- Certain revenue from sales, as described in Note 7.1 of these consolidated financial statements, is invoiced based on periodic readings from metering and settlement systems. This results in the need to estimate revenue for deliveries for which PGE Group does not have metering data as at the reporting date. Revenue from the balancing electricity market is subject to adjustment after the reporting period. The final amount of sales or the cost of purchasing electricity is determined up to 14 months after the end of the respective delivery period.

3. Impairment tests for property, plant and equipment, intangible assets, rights to use assets and goodwill

Property, plant and equipment represent the most significant asset category within the PGE Capital Group. Due to a dynamic macroeconomic and regulatory environment, the Group periodically assesses whether there are any indications of impairment in the recoverable amount of its assets. In evaluating market conditions, the PGE Capital Group relies both on its own analytical tools and on support from independent analytical institutions.
In previous reporting periods, the PGE Capital Group recognised material impairment losses on non-current assets in the Conventional Generation, District Heating and Renewables segments. The impairment loss previously recognised in the Renewables segment was fully reversed.

In the current reporting period, the Group conducted an analysis of impairment indicators and identified factors that could have significantly impacted the value of its property, plant and equipment in the above-mentioned segments, as well as in the Railway Energy Services segment, PGE Gryfino Dolna Odra sp. z o.o., and the companies EW Baltica 2 and EW Baltica 3.

External circumstances

- The market capitalisation of PGE S.A. continues to be below the net book value of assets.
- The average electricity price for futures contracts for the following year in the period from July to November 2024 was approx. 442 PLN/MWh and was 4% lower compared to the price for the first half of 2024 (462 PLN/MWh).
- Between July and November 2024, the weighted average price of the EUA DEC 24 was 67 EUR/t, which is 2% higher than the average EUA DEC 24 price at the end of the first half of 2024 (66 EUR/t).
- The average price of hard coal in ARA ports in monthly continuation contracts from July to November 2024 was USD 117/t, an increase of 9% (USD 107/t) compared to the first half of 2024.
- The average gas price between July and November 2024 was 38 EUR/MWh, which is 27% higher than in the first half of 2024 (30 EUR/MWh).
- The average price of domestic coal from the PSCMI1 in the period from July to November 2024 was 22 PLN/GJ, representing a 4% decrease relative to the first half of 2024 (PLN 23/GJ).

As a result of the analysis of the above-mentioned indicators, the Group conducted impairment tests as at 30 November 2024 for the Conventional Generation segment, and as at 31 December 2024 for the Railway Energy Services segment, to which goodwill and customer relationship assets are allocated. Based on the impairment tests performed, it was concluded that an impairment write-down of non-current assets was only required for the Conventional Generation segment.

The analysis of indicators did not reveal grounds for conducting impairment tests for the Renewables, District Heating, PGE Gryfino Dolna Odra sp. z o.o., or EW Baltica 2 and EW Baltica 3.

3.1 Assumptions for impairment tests

Macroeconomic assumptions

The main price assumptions, i.e. those concerning the prices of electricity, CO_2 emission allowances, coal, natural gas and the assumptions relating to the majority of the Group's generating facilities are derived from a study prepared in June 2024 (the "Study") by an external, independent entity that is a recognised centre of expertise in the energy market (the "Advisor"). The first projection year includes the Company's own estimates according to the Financial Plan for 2025. The years 2026 and 2027 are estimated based on the current market situation and forecasts included in the Advisor's Study. On the other hand, subsequent years of the forecast are based entirely on the Study. The Advisor used current scenarios for the economic and demographic development of the country and estimates of changes in key market parameters. The Advisor's forecasts take into account the legal conditions arising from the current energy policy, at both the EU and national levels.

The environment in which the PGE Capital Group operates is characterised by high volatility of macroeconomic, market and regulatory conditions. Changes in these conditions may have a significant impact on the financial position of the PGE Capital Group, therefore the assumptions used to estimate the value in use of assets are subject to periodic review with the knowledge of the independent Advisor.

Electricity price projections assume an average annual price increase of around 10.9% between 2026 and 2027 compared to 2025, a price increase of 15.6% in 2028 compared to 2027, followed by an average annual increase of around 4.0% between 2029 and 2040.

CO_2 allowance price projections assume a 12.5% price increase in 2026 compared to 2025, a 2.2% increase in 2027 compared to 2026, followed by an average annual increase between 2028 and 2030 of around 7.5%, reflecting the current parameterisation of the Market Stability Reserve (MSR) mechanism and the EU ETS itself, introduced following the adoption of the Fit for 55 package and incorporating the effects of the adoption of the REPowerEU plan. These changes result in a marked reduction in the supply of allowances in the second half of this decade. After 2030, an average annual increase in CO_2 emission allowance prices of around 6% is projected until 2040, as a result of the continuation of policies leading to climate neutrality in 2050.

After several years of dynamic increases and decreases, coal price forecasts predict a stabilisation of prices from 2026 on based on the current and forecasted level of quotations on the European market, which translates into prices remaining at the same level in nominal terms between 2026 and 2035. This results from a gradual decline in global coal demand is expected due to the implementation of climate policy elements, including in particular the development of RES. After 2035, a slight increase of 2.5% on average per is expected due to growing mining costs.

Natural gas price forecasts assume a 5.2% decrease in 2026 relative to 2025 prices and a 6.5% increase in 2027 relative to 2026. Thereafter, prices will rise by an annual average of 1.3% until 2030. The projected gas prices in Europe are mainly influenced by the costs of LNG imports and the associated level of investment in liquefaction and regasification facilities worldwide, as well as the rapidly growing demand for LNG, especially in Asian countries. In the period after 2030, the forecast for natural gas prices assumes an average annual increase of around 2.6%, mainly due to rising extraction costs.

The price forecasts for RES energy origin property rights assume an average annual price increase in 2026 in relation to prices of 2025 at the level of 70%, followed by an average annual decrease between 2027 and 2031 of around 21.4%, which is related to the decreasing obligation to redeem such rights (firstly an increase, then a decrease).

Forecasts of revenue from the capacity market in the years 2024–2029 are based on the results of completed major
and additional auctions, taking into account the mechanisms of joint balancing among the companies belonging to the PGE Capital Group. The forecast for the period from the year 2030 was prepared by a team of experts from PGE S.A. on the basis of assumptions concerning future cash flows for power generation units based, among other things, on the results of already completed auctions and forecasts prepared by an external expert. For one-year contracts with delivery from 1 July 2025 and multi-year contracts concluded in the major and additional auctions for 2025 onwards, an emission criterion of 550g CO_2/kWh (so-called EPS 550) applies, which in practice excluded the participation of all coal-fired units in the Capacity Market. Due to the pending legislative changes, the income forecast also takes into account the expected income from supplementary auctions for the delivery period from July 2025 to the end of 2028. Supplementary auctions are to be introduced by amending the Capacity Market Act, whose bill was passed by the Sejm on 24 January 2025. Entities that do not meet the emission criterion of 550g CO_2/kWh will be admitted to supplementary auctions. The forecast of revenue from supplementary auctions was compiled by a team of experts from PGE S.A. based on the best knowledge of the expected parameterisation of these auctions.

The availability of power generation units was estimated on the basis of overhaul plans and failure frequency statistics.

Weighted average cost of capital

In 2023, the global economy and financial markets were influenced by the repercussions of the post-pandemic economic rebound, the so-called energy crisis, changes in monetary policies and the military conflicts in Ukraine and the Middle East. As a result of one of the fastest monetary tightening cycles on record, a significant number of countries, including Poland, have achieved the effects of lowering the level of inflation, although this has taken place in an environment of reduced economic growth. In 2024, the different central banks started or signalled a shift towards a more accommodative monetary policy, making the pace of interest rate cuts dependent on incoming data. Consequently, a high level of uncertainty about the macroeconomic outlook persisted, which affected the dynamics of the situation on financial markets.

In view of these conditions the PGE Group applies a weighted average cost of capital path, which takes into account current market parameters and characteristics (including elevated levels of market interest rates), and in subsequent periods gradually approaches levels representing the long-term average, based on the full business cycle and fundamental economic relationships. In the PGE Group's view, this approach avoids undue influence of short-term volatility on the valuation of long-term assets.

Climate issues

In July 2021, the European Commission published the Fit for 55 legislative package, aiming, among other things, to achieve a 55% (previously 40%) reduction in EU greenhouse gas emissions by 2030 compared to 1990. As expected by market participants, the reform of the EU ETS system included in the package should result in a significant increase in the level of CO_2 emission allowance prices, which in practice already occurred in 2021. Since then, the prices of CO_2 emission allowances have remained high, and further increases are expected in the second half of the current decade. The changes introduced may negatively affect the margins earned by carbon-intensive power generation units, particularly to the extent that the increase in the price of CO_2 allowances is not passed on in the price at which these units sell the electricity or heat they produce. In December 2022, the Council and the EU Parliament reached important agreements on the 'Fit for 55' package proposal, the EU's plan to increase the target of reducing greenhouse gas emissions below 55% by 2030 compared to 1990 levels. Another important element of the package was to increase the target for the share of RES in the European Union's energy mix to 42.5% in 2030 (previously 32%). The establishment of this target in agreement with the Council was voted through in the European Parliament in September 2023. From the perspective of the District Heating segment, regulatory changes resulting from the EED directive are of significance. Changes to the definition of an energy-efficient district heating system and changes to the definition of high-efficiency cogeneration are further forcing action to be taken towards the transformation of assets and the replacement of outdated coal-fired units.

On 15 December 2022, the Decarbonisation Plan to 2050 was adopted for the District Heating segment within the PGE Capital Group. The Plan was updated on 5 October 2023. The objective of the Decarbonisation Plan is to define the asset transformation measures in a targeted manner while fulfilling the regulatory requirements for district heating and maintaining the current generation potential in the long term to meet the needs of consumers. The Decarbonisation Plan constitutes an operationalisation of the objectives set out directly in the PGE Capital Group's strategy and in the strategy implementation plan for the District Heating segment. The plan defines possible technological options for production locations and directions in which the transformation of generation assets will be carried out, the timetable for the main activities, the planned expenditures and the expected economic and ecological effects. The transformation of generation capacities through the use of new low- or zero-carbon power generation units is planned for the period until 2030 and the achievement of climate neutrality by 2050.

Accordingly, the District Heating segment is gradually replacing coal-fired sources with new renewable and low-carbon sources. It is planned that by 2030, most of the locations where PGE Capital Group's coal-fired district heating assets are present will have commissioned new installations, which will result in a complete or significant shift away from the coal fuel. To generate heat in new and upgraded heating facilities, the following will be used: natural gas (cogeneration units and water boilers), geothermal energy, biomass, and power-to-heat technologies (electrode boilers and large-scale heat pumps utilising waste heat and ambient energy). The Decarbonisation Plan has been taken into account when estimating the value in use of the District Heating segment's production assets.

The Decarbonisation Plan for District Heating assets is a response to the dynamics of changes observed in the electricity market. Diversification of generation sources ensures operational flexibility and reduces the exposure of heat prices to fluctuations in the prices of primary energy carriers and CO_2 emission allowances. As a result of the changes described above, a change in the operating regime of coal-fired units is expected in the years to come. Progressively, as new facilities are commissioned, there will be a reduction in operating hours and, consequently, in the volume of production from conventional sources. Therefore, it is justified to limit capital expenditure (CAPEX) and operating expenditure (OPEX) on maintenance tasks for coal assets in the last years of their operation, which will additionally affect the expected decrease in their profitability due to the gradual deterioration of the availability of these units. At the same time, the aforementioned legislative and market changes favour the development of zero- and low-carbon sources, which, when the Group invests in these particular technologies, positively translates into the value in use of the assets under test. It should also be borne in mind that fossil fuel-based generation facilities, in the face of the uncertainty of RES generation (driven by environmental factors: water, wind, solar), are still needed in the electricity system to balance it.

Significant changes in the regulatory environment, both domestic and foreign, that affect or will affect PGE Capital Group's operations are described in note 4.6. Regulatory environment in the Management Board's Report on the activities of the PGE Capital Group for 2024 ended 31 December 2024.

Climate issues are included in the assumptions used for impairment testing to the best of the Group's knowledge, with the support of an external independent Adviser. The PGE Capital Group adopts assumptions developed by an independent think tank that take into account the current regulatory and market situation. Future developments in the electricity market may differ from the currently adopted assumptions, which may lead to significant changes in the financial position and results of the PGE Group. Such changes will be recognised in future financial statements.

3.2 Description of Conventional Generation assumptions

Property, plant and equipment represent the most significant asset category within the Conventional Generation segment. Due to a dynamic macroeconomic and regulatory environment, PGE GiEK S.A. periodically assesses whether there are any indications of impairment in the recoverable amount of its assets. In evaluating market conditions, the company relies both on its own analytical tools and on support from independent analytical institutions. In previous reporting periods, the company recognised material impairment losses on non-current assets.

Analysis of the circumstances

In the current reporting period, the Company analysed the circumstances and identified factors that could significantly contribute to a change in the value of its assets, including:

- the decline in market margins for the sale of electricity from conventional generation assets observed in 2024 (particularly on the forward market), which necessitates an adjustment to the assumptions regarding projected variable margins in future periods, especially in the initial years of the projection,
- a change in forecast electricity sales volumes throughout the projection period as a result of the second stage of balancing market reform (effective from 14 June 2024), which requires submission of technically feasible generation schedules, thereby necessitating energy sales to be carried out with those limitations in mind,
- measures undertaken by the Company's Management Board to optimise fixed costs and capital expenditures.

As a result of the analysis of the above-mentioned indicators, the Company conducted impairment tests of non-current assets as at 30 November 2024 for cash-generating units by determining their recoverable amount. In practice, it is very difficult to determine a fair value of a very large group of assets which do not have an active market or comparable transactions. With respect to whole power plants or mines whose value in a local market should be determined, there are no observable fair values. Therefore, the recoverable value of the analysed assets was determined by way of estimating their value in use by means of the discounted net cash flows method based on the financial forecasts prepared for the period from December 2024 to the end of their operation. In the Company's opinion, the adoption of financial forecasts for periods longer than five years is justifiable in view of the significant and long-term impact of the estimated changes in the regulatory environment. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable.

Specific assumptions relating to the segment

The key assumptions determining the assessed value in use of the tested CGUs include the following:

- recognising the following as individual CGUs, due to technology linkages:
  - the Bełchatów Lignite Mine Branch and the Bełchatów Power Plant Branch ("Bełchatów Complex"),
  - the Turów Lignite Mine Branch and the Turów Power Plant Branch ("Turów Complex").
- recognising the Opole Power Plant, the Rybnik Power Plant and the Dolna Odra Power Plant as three individual CGUs.
- adopting the assumption of continued operations:
  - until 2036 for the Bełchatów Complex, based on the date accepted by the Social Partner for switching off all units, adopted for the Fair Transformation Plan for the Łódzkie Voivodeship,
  - until 2044 for the Turów Complex based on the decision of 17 February 2023 to extend the term of the mining concession until 2044,
- taking into account labour cost optimisation resulting, among other things, from the currently implemented employment initiatives,
- maintaining the generation capacities thanks to asset replacement projects,

- adopting a weighted average after-tax cost of capital differentiated for individual CGUs, according to the individually assessed level of risk and varying over time:
  - for the years 2025–2026, at an annual average level for individual CGUs of between 7.60% and 9.48%,
  - for the years 2027–2036, at an annual average level for individual CGUs of between 6.37% and 7.94%.
  - for 2037 and subsequent years, at an annual average level for individual CGUs of between 7.42% and 8.98%,

As at 30 November 2024, the value of the tested property, plant and equipment in the Conventional Generation segment amounted to PLN 20,199 million. This value does not include CGUs for which the value in use of the tested assets is negative.

As a result of the impairment test, the Group determined the need to recognise impairment losses on these assets totalling PLN 7,444 million, as presented in the table below:

	Tested value	Value in use	Identified impairment
Bełchatów Complex	6,361	1,896	(4,465)
Turow Complex	4,701	1,722	(2,979)
Opole Power Plant	9,137	11,266	-
Dolna Odra Power Plant	-	-	-
Rybnik Power Plant	-	-	-
TOTAL	**20,199**	**14,884**	**(7,444)**

For CGUs that were fully impaired in previous reporting periods (Dolna Odra Power Plant, Rybnik Power Plant), the impairment tests confirmed the validity of the full write-down of property, plant and equipment. In 2024, the Company recognised impairment losses related to new investments in these branches amounting to PLN 115 million.

Sensitivity analysis

In accordance with IAS 36 *Impairment of Assets*, the Group carried out a sensitivity analysis for individual generation units.

The table below presents the impact of changes to key assumptions, applying the ceteris paribus principle, on the value in use of assets as at 30 November 2024. The analysis excludes the impact on the value in use of assets that were fully written down in prior reporting periods.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity price over the forecast period	+1%	1,375	-
	-1%	-	1,375
Change in WACC	+0.5 p.p.	-	136
	-0.5 p.p.	160	-
Change in the price of CO_2 emission allowances	+1%	-	720
	-1%	720	-
Change in the price of hard coal	+1%	-	101
	-1%	101	-

Summary of the changes in asset value in use resulting from sensitivity analysis:

- A 1% decrease in the electricity price would result in a reduction of asset value in use by approximately PLN 1.4 billion;
- A 0.5 percentage point decrease in WACC would result in an increase of asset value in use by approximately PLN 0.2 billion;
- A 1% increase in CO_2 emission allowance prices would result in a reduction of asset value in use by approximately PLN 0.7 billion;
- A 1% increase in hard coal prices would result in a reduction of asset value in use by approximately PLN 0.1 billion.

Climate issues

The future of the Polish energy market is determined by the European Union's climate policy, and developments in the electricity market in the run up to 2050 will be influenced by the European Green Deal, which aims to achieve EU climate neutrality by 2050. The reform of the EU ETS system resulted in a significant increase in the level of CO_2 emission allowance prices already in 2021. Since then, the prices of CO_2 emission allowances have remained high, and further increases are expected in the second half of the current decade.

The changes introduced may negatively affect the margins earned by carbon-intensive power generation units, particularly to the extent that the increase in the price of CO_2 allowances is not passed on in the price at which these units sell the electricity or heat they produce. In December 2022, the Council and the EU Parliament reached important agreements on the 'Fit for 55' package proposal. In addition to the emission reduction target, another important element of the package was to increase the target for the share of RES in the European Union's energy mix to 42.5% in 2030 (previously 32%). The establishment of this target in agreement with the Council was voted through in the European Parliament in September 2023.

The changes described above mean that a reduction in the volume of production from conventional sources is anticipated, with a consequent reduction in capital expenditure (CAPEX) and operating expenditure (OPEX) on maintenance tasks of coal assets, which further affects the anticipated decline in profitability through the gradual deterioration of the availability of these units. At the same time, the aforementioned legislative and market changes favour the development of zero- and low-carbon sources. It should also be borne in mind that fossil fuel-based generation facilities, in the face of the uncertainty of RES generation (driven by environmental factors: water, wind, solar), are still needed in the electricity system to balance it.

3.3 Description of Railway Energy Services assumptions

On 31 December 2024, impairment tests were carried out with respect to the cash generating units by determining their recoverable values. The recoverable amount of the analysed assets was determined based on the estimation of their value in use by means of the discounted net cash flows method based on the financial forecasts for 2025 to 2030. The Group believes that adopting financial forecasts longer than five years is reasonable given the long-term life of the asset and the significant projected changes in market conditions in the future. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable.

Specific assumptions

The key assumptions determining the assessed value in use of the tested assets include the following:

- Due to a number of interdependencies related to cash-generating ability, the Railway Energy Services segment has been recognised as a single CGU. Single CGU encompasses both trading and distribution activities. As of the date of impairment testing, no detailed terms for the potential unbundling are known; therefore, the financial forecasts do not include any changes in this regard. Consequently, the estimation of the assets' value in use is subject to significant uncertainty. The Group will reassess the validity of the assumptions made, including whether maintaining a single CGU remains appropriate, in the next reporting period.
- Forecast volumes, margins, and costs were based on the current Financial Plan of the Railway Energy Services segment, actual performance, and long-term forecasts, assuming in particular:
    - a stable level of traction energy volume distribution,
    - maintenance of margins in traction energy trading,
    - development of the Fuel Division in line with its strategic plan,
    - long-term profitability of contracts signed by the Services Division.
- The adjusted after-tax weighted average cost of capital was applied and varied over time:
    - for the Distribution Division – 6.05% for the entire forecast period,
    - for other segments – 7.06% (average annual rate for 2025–2030), and 6.42% after 2030.

As at 31 December 2024, the value of the tested property, plant and equipment in the Railway Energy Services segment amounted to PLN 7,020 million, the value of customer relationship assets to PLN 471 million, and the value of goodwill to PLN 345 million. Following the impairment test, the Group concluded that there was no need to recognise impairment losses.

Sensitivity analysis

In accordance with IAS 36 *Impairment of Assets*, the Group carried out a sensitivity analysis for PGE Railway Energy Services.

The table below presents the impact of changes to key assumptions, applying the ceteris paribus principle, on the value in use of assets as at 31 December 2024 for assets of PGE Railway Energy Services.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity purchase price over the forecast period	+1%	-	9
	-1%	9	-
Change in margin on electricity sales over the forecast period	+1%	32	-
	-1%	-	32
Change in WACC (for Branches outside Distribution)	+0.5 p.p.	-	173
	-0.5 p.p.	187	-
Change in WACC (for distribution activities)	+0.5 p.p.	-	246
	-0.5 p.p.	312	-

Summary of the changes in asset value in use resulting from sensitivity analysis:

- A 1% decrease in the electricity purchase price would result in a reduction of asset value in use by approximately PLN 9 million;
- A 1% decrease in the margin on electricity sales would result in a reduction of asset value in use by approximately PLN 32 million;
- A 0.5 percentage point increase in WACC for the non-regulated business (excluding Distribution) would result in a reduction of asset value in use by approximately PLN 173 million;
- A 0.5 percentage point increase in WACC for distribution activities would result in a reduction of asset value in use by approximately PLN 246 million.

The environment in which the PGE Capital Group operates is characterised by high volatility and is influenced by macroeconomic, market and regulatory conditions. Any changes in these areas may have a material impact on the financial position and financial performance of the PGE Group. Therefore, the above assumptions, as well as other assumptions adopted for the estimation of the recoverable amount of assets, are subject to periodic analysis and review. Any changes will be reflected in future financial statements.

3.4 Analysis of the circumstances for District Heating

In previous reporting periods, the PGE Capital Group recognised material impairment losses on non-current assets in the District Heating segment. The key assumptions adopted for asset impairment tests performed in previous reporting periods are described in the PGE CGU's consolidated financial statements for the previous financial years.

As at 31 May 2024, asset impairment tests were carried out, which no write-offs. The key assumptions adopted for asset impairment tests carried out on 31 May 2024 are described in the interim consolidated financial statements of the PGE CG for the 6-month period ended 30 June 2024.

As at 30 November 2024, the PGE Capital Group analysed the existing circumstances to verify whether the value of the assets might have been impaired or whether previously recognised impairment losses need to be reversed.

The key analysed factors included the following:

- the financial plan,
- a confirmation that the investment plan is up to date,
- energy, coal, CO_2 emission allowances and gas prices,
- assumptions regarding the capacity market, support for co-generation,
- sales price estimates for generated heat,
- estimates of margins on production and sales of electricity in future periods, in the light of forecasts for energy, hard coal, gas and CO_2 emission allowances.

The analysis of the District Heating's circumstances indicated that the generating units were implementing the financial plan above the assumptions. Price forecasts of natural gas, electricity, coal and CO_2 emission allowances indicate that the planned margins on the sale of electricity and heat will remain favourable. During the four years of operation of the support system for high-efficiency co-generation in Poland, the companies of the District Heating segment were active in obtaining each of the available types of bonuses, which significantly translated into the financial result. In the case of negative decisions of the President of the Energy Regulatory Office regarding the cogeneration bonus, support for cogeneration will be replaced by support in the form of a capacity market, thus not posing the risk of a significant change in value in use. The assumptions

for the capacity market, relative to previous periods, are at a comparable level. The change in the WACC of the PGE Capital Group at the end of 2024 was within the range of the sensitivity analysis carried out for testing purposes. The analysis demonstrated that there was no risk of impairment for the tested period.

Therefore, PGE CG believes that there is no indication for impairment testing of the generation assets in District Heating as at 30 November 2024. These conclusions are accurate as at 31 December 2024.

Climate issues

On 15 December 2022, the Decarbonisation Plan to 2050 was adopted for the District Heating segment within the PGE Capital Group. The Plan was updated on 5 October 2023. The objective of the Decarbonisation Plan is to meet the regulatory requirements for the power industry and to maintain the current generation potential in the long term in order to meet customer needs. The Decarbonisation Plan constitutes an operationalisation of the objectives set out directly in the PGE Capital Group's strategy and in the strategy implementation plan for the District Heating segment. The plan indicates the directions and schedule for the transformation of the generation assets of the individual segment sites. The transformation of generation capacities through the achievement of a significant share of new low- or zero-carbon power generation units is planned for the period until 2030 and the achievement of climate neutrality by 2050.

3.5 Analysis of the circumstances for Renewables

In previous reporting periods, the PGE Capital Group recognised material impairment losses or reversals of impairment losses on non-current assets in the Renewables segment. As a result of asset impairment testing for PGE Energia Odnawialna S.A. in 2019–2021, impairment losses were reversed to the maximum extent possible for all wind farms for which asset impairment losses were recognised in previous reporting periods.

As at 31 May 2024, asset impairment tests were carried out, which showed that no write-offs were necessary. The key assumptions adopted for asset impairment tests are described in the interim consolidated financial statements of the PGE CG for the 6-month period ended 30 June 2024.

As at 30 November 2024, the PGE Capital Group analysed the existing circumstances to verify whether the value of the assets might have been impaired.

The following separate cash-generating units are identified and analysed within the Renewables segment:

- all pumped storage power plants (ESP),
- all other hydroelectric power plants,
- all photovoltaic power plants,
- individual wind farms.

The key analysed factors included the following:

- the realisation of the financial plan,
- the prices of electricity and energy origin property rights,
- the assumptions concerning the so-called capacity market,
- the investment plan,
- the electricity generation and sales plans.

The analysis of the circumstances for the CGU PGE EO S.A. showed that in the pumped storage power plant segment, the higher result compared to the financial plan is mainly due to the higher margin on the sale of electricity, revenues from new Balancing Services, and higher revenues from the Capacity Market. The lower performance in the other segments, wind power plants, hydroelectric power plants (except ESP) and photovoltaic (PV) farms, resulted mainly from lower revenues from the sale of electricity, primarily on account of lower selling prices. The Company's favourable results in the ESP area will have a positive impact on the valuation, while weaker financial performance in other areas, mainly due to lower electricity prices, does not significantly affect the valuation (lower electricity prices are already factored into current price assumptions). In addition, the stable level of revenue from the Capacity Market and the level of generation volumes for the individual power plants and the maintenance of long-term price forecasts at a similar level have a positive impact on the value in use of the individual assets undergoing tests. With respect to the investment plan, an increase in planned expenditure relating to modernisation and restoration expenditure is assumed; however, the results of the tests on 31 May 2024 showed a large surplus of value in use over book value and an increase in expenditure does not pose a risk of the value of the assets falling below their book value.

Therefore, the PGE Capital Group concludes that there is no indication for impairment testing of the generation assets as at 30 November 2024. These conclusions are accurate as at 31 December 2024.

3.6 Analysis of the circumstances for PGE Gryfino Dolna Odra

In previous reporting periods, the PGE Capital Group did not recognise material impairment losses on non-current assets of PGE Gryfino Dolna Odra sp. z o.o. The key assumptions adopted for asset impairment tests performed in previous reporting periods are described in the PGE CGU's consolidated financial statements for the previous financial years.

As at 31 May 2024, asset impairment tests were carried out, which showed that no write-offs were necessary. The key assumptions adopted for asset impairment tests are described in the interim consolidated financial statements of the PGE CG for the 6-month period ended 30 June 2024.

As at 30 November 2024, the PGE Capital Group analysed the existing circumstances to verify whether the value of the assets of PGE Gryfino Dolna Odra might have been impaired.

The key analysed factors included the following:

- the forecasts of electricity, gas, and CO_2 prices,
- the assumptions concerning the-called capacity market,
- progress in the realisation of the project and investment plan,
- the electricity generation and sales plans.

The analysis of the circumstances of PGE Gryfino Dolna Odra indicated that the electricity, gas and CO_2 emission allowance price forecasts available to the PGE CG provide for favourable margins of gas-fired units in the National Power System. Maintaining long-term forecasts of gas-fired units' margins at a satisfactory level and a stable level of revenue from the capacity market generates a high value in use of the individual assets undergoing tests. As part of the project, the investment was completed and the commercial operation started in the second half of 2024.

Therefore, the PGE Capital Group concludes that there is no indication for impairment testing of the generation assets as at 30 November 2024. These conclusions are accurate as at 31 December 2024.

3.7 Analysis of the circumstances for the Offshore Wind Energy project

In 2021, Ørsted group entities acquired shares in the increased capital of Elektrownia Wiatrowa Baltica 2 and Elektrownia Wiatrowa Baltica 3. As a result of the transaction, the Ørsted group became a 50% shareholder in EWB2 and EWB3. Consequently, the PGE CG lost control over these two companies. Based on the agreements between the PGE CG and the Ørsted companies, EWB2 and EWB3 constitute a joint operation within the meaning of IFRS 11 *Joint Arrangements*. The control loss settlement resulted in the recognition of goodwill of PLN 81 million at the consolidated financial statement level.

As at 31 May 2024, goodwill impairment tests were carried out, which showed that no write-offs were to be made. Goodwill impairment tests were carried out on the basis of the recoverable amount of assets and the key assumptions adopted for asset impairment tests are described in the interim consolidated financial statements of the PGE CG for the 6-month period ended 30 June 2024.

As at 30 November 2024, the PGE Capital Group analysed the existing circumstances to verify whether the goodwill might have been impaired.

The key analysed factors included the following:

- the revenue side secured by the differential contract,
- the impact of an increase in inflation and the weighted average cost of capital,
- the projects implementation schedule,
- the budget for the development (DEVEX) and implementation (CAPEX) phases of the project.

The EWB2 and EWB3 projects are entitled to obtain public support and consequently secure a revenue side that is indexed for inflation, thus partially mitigating the negative aspects of the macroeconomic environment. The project development phase is being financed from the approved budget.

Therefore, in the opinion of the PGE Group, as of 30 November 2024 there are no circumstances indicating the need to carry out a test for the goodwill arising from the EWB2 and EWB3 projects. These conclusions are accurate as at 31 December 2024.

3.8 Property, plant and equipment of the Distribution segment

As at the reporting date, the book value of property, plant and equipment related to the distribution business amounts to approximately PLN 27 billion, accounting for approximately 38% of the total consolidated property, plant and equipment. Their recoverable value depends mainly on the tariff approved by the President of the Energy Regulatory Office. The regulated (tariff-based) revenue, which is determined on an annual basis, ensures that justified costs are covered: operating costs, depreciation and amortisation, taxes, energy purchase to cover the balance difference, transferred costs, and the achievement of a reasonable return on the capital involved in distribution activities. The level of return on capital and depreciation/amortisation depend on the Regulatory Asset Base.

As at the date of these consolidated financial statements, the PGE Capital Group did not identify any evidence of impairment of property, plant and equipment allocated to distribution activities.

4. Selected significant accounting policies

The financial statements have been drawn up in accordance with the historical cost convention, except for:

- financial instruments measured at fair value,
- financial instruments measured at amortised cost,
- impaired assets.

These consolidated financial statements of the PGE CG have been drawn up on the basis of the financial statements of the parent company and the financial statements of its subsidiaries, associates, and jointly controlled entities. Financial statements of consolidated entities are drawn up for the same reporting period, based on uniform accounting principles.

All balances of receivables, revenues, and expense arising between the Group's entities, as well as unrealised intra-group profits, are fully eliminated.

Subsidiaries are consolidated from the date the Group gains control over them and are no longer consolidated from the date such control ceases. The parent entity is deemed to exercise control if it directly or indirectly, through its subsidiaries, holds more than half of the voting rights in a given company, unless it can be demonstrated that such ownership does not constitute control. Control is also deemed to exist when the Company, by virtue of its involvement with another entity, has rights to variable financial results and the ability to influence those results by exercising authority over that entity. Such authority may also exist even if the parent entity does not hold the majority of voting rights.

Recognition of the formation of PGE Capital Group and subsequent internal transformations in the consolidated financial statements

The acquisition and merger of entities are generally governed by IFRS 3 *Business Combinations*. However, this standard excludes transactions between entities under common control. The entities forming the PGE Group were, at the time of their combination, under the control of the State Treasury. Therefore, the transaction was, in the Company's view, a transaction under common control and thus excluded from the scope of IFRS 3.

Combinations of entities under common control were accounted for using the pooling of interests method. Consequently, the consolidated financial statements reflect the continuity of common control and do not reflect changes in the fair value of net assets (or recognition of new assets), or measurement of goodwill.

Subsequent combinations within the PGE Group were also presented as transactions under common control and thus recognised within Group's equity, without affecting the goodwill.

Acquisitions of companies from unrelated parties are accounted for using the acquisition method in accordance with IFRS 3.

Joint arrangements and joint control

The existing interest in a joint venture (contractual arrangements granting rights to net assets) is recognised as investments and accounted for using the equity method.

In the case of joint operations, each partner recognises its share of assets, liabilities, revenues, and expenses.

Joint control refers to a contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the controlling parties.

Investments in associates

Associates are entities over which the parent has significant influence, either directly or through subsidiaries, but does not have control or joint control over them. Investments in associates are accounted for using the equity method.

Fair value measurement of acquired assets and liabilities, goodwill recognition

In accordance with IFRS 3 *Business Combinations*, the PGE Capital Group identifies and measures acquired assets, liabilities, and goodwill or gain from a bargain purchase. Measurement is based on a number of significant assumptions, including: the chosen measurement method, management's plans for the use of the acquired assets, financial forecasts (including price paths for key revenue and expense components), regulatory changes, etc. The acquisition price (including any contingent consideration) also affects the accounting for the transaction. These assumptions may significantly impact the fair value measurement of acquired assets and liabilities and the determination of goodwill or gain on a bargain purchase. Goodwill is tested for impairment together with relevant cash-generating units.

Translation of foreign currency items

Foreign currency transactions are translated into Polish zlotys using the exchange rate applicable on the transaction date. As at the reporting date:

- cash items are translated using the NBP closing rate (simplified method),
- non-cash items measured at historical cost in foreign currency are translated at the rate applicable on the original transaction date,
- non-cash items measured at fair value in foreign currency are translated at the rate applicable on the date fair value is determined.

Exchange differences arising from translation are recognised in profit or loss, or, in certain cases specified in the accounting policy, in assets.

Exchange differences on non-cash items such as equity instruments measured at fair value through profit or loss are recognised as part of fair value changes. Exchange differences on non-cash items such as equity instruments are recognised in other comprehensive income. Exchange differences arising from the conversion of assets and liabilities of foreign entities with a functional currency different from the parent entity's functional currency are recognised in other comprehensive income and accumulated in a separate equity item: "Foreign exchange differences".

5. Changes in accounting principles and data presentation

New standards and interpretations effective as of 1 January 2024

The accounting principles used in drawing up these financial statements are consistent with those followed in the preparation of the separate financial statements for the year 2023, with the exceptions presented below. The changes to the IFRSs referred to below were applied in these financial statements as of their respective effective dates. The changes presented below did not have any material impact on the presented and disclosed financial information or did not apply to transactions entered into by the Group:

- Changes to IAS 1 – Changes relate to the presentation of financial statements – classification of liabilities as current and non-current
- Changes to IFRS 16 – Changes related to the manner of valuation of liabilities under sale and leaseback transactions.
- Changes to IAS 7 and IFRS 7 – disclosures related to supplier finance agreements.

The Group has not elected to early adopt any of the standards, interpretations or changes that have been published but are not yet effective in accordance with the European Union regulations.

Changes in accounting principles and data presentation

In the current period, the Group changed its hedge accounting policies and its presentation of coal valuation.

For hedge accounting, until 30 September 2024 the Group has used the possibility of applying the hedge accounting requirements in accordance with IAS 39. As of 1 October 2024, the principles in accordance with IFRS 9 will apply to all hedging relationships. This change in accounting policy in accordance with IFRS 9 was introduced prospectively from 1 October 2024, and therefore the data for the comparative period did not require restatement either. No hedging relationship has been terminated as a result of this change. Below, we present the impact of changes in accounting policy on the consolidated financial statements for the current reporting period.

HEDGING DERIVATIVE	IMPACT OF CHANGES IN ACCOUNTING POLICY ON THE FINANCIAL STATEMENTS FOR 2024
CCIRS hedging transactions	**Impact on financial income (+) PLN 31.4 million** Due to the long-term nature of the CCIRS instrument (conclusion date: 2014, maturity date: 2029), at the initial recognition, the measurement model could not be based solely on observable data – the forward curves available at that time did not cover the entire maturity horizon of the instrument (thus, the model was partly based on unobservable data, which resulted from extrapolation of available curves). Therefore, it was reasonable to carry out a value adjustment (i.e. to postpone the initial 'profit/loss'). At the initial recognition, this adjustment amounted to PLN (-) 31.4 million. As at the date of implementation of IFRS 9 in the area of hedge accounting, due to the close settlement date of the CCIRS instrument (5-year horizon) and the reliance on a model using only observable data, it is reasonable to recognise it directly in profit and loss (i.e. to reverse the earlier adjustment related to the deferred 'day one profit/loss').
IRS hedging transactions	No impact on the profit and loss and financial statements.
FX forwards (USD & EUR)	No impact on the profit and loss and financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2023 *published data*	Change of presentation of coal valuation	Year ended 31 December 2023 restarted
SALES REVENUE	**95,964**	-	**95,964**
Cost of goods sold	(87,561)	(370)	(87,931)
GROSS PROFIT ON SALES	**8,403**	**(370)**	**8,033**
Distribution and selling expenses	(8,151)	-	(8,151)
General and administrative expenses	(1,853)	-	(1,853)
Other net operating income/(expenses)	(1,830)	370	(1,460)
OPERATING LOSS	**(3,431)**	-	**(3,431)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE BUSINESS SEGMENTS

6. Information on the business segments

SIGNIFICANT ACCOUNTING PRINCIPLES

Business segments

A business segment is a component of the Group that:

- engages in activities from which it may earn revenues and incur expenses (including revenues and expenses arising from transactions with other components of the same entity),
- has its operating results regularly reviewed by the Group's chief operating decision maker, who uses this information for resource allocation and performance assessment,
- has separate financial information available.

Segment revenues include those earned from sales to external customers or from transactions with other segments of the PGE CG. These are reported in the Group's profit and loss account and can be directly attributed to the segment in question along with an appropriate share of revenues that can reasonably be allocated to it.

Segment expenses comprise costs related to sales to external customers and costs from transactions with other Group segments that result from the segment's operational activities. These costs can be directly assigned to the segment together with the relevant portion of the business entity's expenses that can reasonably be allocated to the segment.

Segment result is the difference between the segment's revenues and expenses.

Segment assets are operating assets used by the segment in its operational activities, either directly attributable to that segment or reasonably allocable to it.

Segment liabilities are operating liabilities arising from the segment's business activities, either directly attributable to that segment or reasonably allocable to it.

The segment's assets and liabilities do not include income tax settlements.

These include, for example, trade payables, other liabilities, accrued expenses, customer advances, and provisions for complaints relating to the delivered goods and services.

Except for mostly financial segments, they do not include loans or similar financial liabilities.

The companies of the PGE Capital Group operate based on various concessions, primarily for electricity generation, trading and distribution, heat generation, transmission and distribution, and lignite mining. These concessions are granted by the President of the Energy Regulatory Office or, in the case of mining, by the Minister of the Environment. Concession durations typically range from 10 to 50 years, with key concessions in the PGE Capital Group expiring between 2025 and 2043.

The concessions for coal mining, electricity and heat generation, and electricity and heat distribution are assigned the corresponding assets, which are presented in the detailed information on the business segments. In connection with the electricity and heat concessions, annual fees depending on the level of turnover are incurred. For concessionary lignite mining, mining fees are incurred depending on the applicable rate and the mining volume, as well as usufruct fees. In 2024, the Group incurred approx. PLN 23 million in concession-related costs (PLN 17 million in 2023) and PLN 140 million in mining exploitation and usufruct fees (PLN 123 million in 2023).

The PGE CG reports segment information for both the current and comparative periods in accordance with IFRS 8 *Operating Segments*. The Group's reporting is divided into the following business segments:

- Renewables – generation of electricity from renewable sources and pumped-storage power plants.
- Gas-fired Generation – electricity generation from gas-fired units.
- Conventional Generation – includes lignite mining and electricity generation from conventional sources, plus auxiliary operations.
- District Heating – combined heat and power (CHP) generation and heat transmission and distribution.
- Distribution – the management of local distribution networks and the transmission of electricity over them.

- Railway Energy Services mainly include the distribution and sales of electricity to railway companies and railway-related customers, sales of fuels, maintenance and upgrading of overhead lines, and other electricity-related services.
- Supply – electricity and gas trading on wholesale markets, CO_2 emission rights trading, trading in property rights arising from certificates of origin, and the purchase and supply of fuels as well as the sales of electricity and services to end-users.
- Circular Economy – management of combustion by-products.
- Other Activities – services provided to the Group by its subsidiaries, e.g. arrangement of financing, provision of IT and transport services, security services and investments in start-ups.

The Group's organisational structure and management are based on this segment division, taking into account the type of products and services offered by them. Each segment represents strategic business unit with distinct offerings targeted to other markets. The different units are allocated to the business segments as described in Note 1.3 of these consolidated financial statements. Inter-segment transactions are accounted for by the PGE CG as if they were with unrelated parties (i.e., at arm's length). In reviewing segment performance, the Group's management primarily focuses on EBITDA.

In the current period, a new Gas-fired Generation segment was separated as part of the PGE CG. In previous periods, the assets and results of this segment were recognised and analysed under Other activities. Comparative data has been restated accordingly.

Seasonality of business segments

Electricity and heat demand is affected mainly by:

- Weather – temperature, wind, rainfall, sunlight,
- Socioeconomic factors – energy consumer base, prices of energy carriers, economic growth, GDP, and
- Technology – advancements and production methods.

Each of these factors influences technical and economic conditions of energy production and energy carrier distribution, thereby affecting the PGE Capital Group's financial results.

The level of electricity sales throughout the year varies and depends mainly on environmental factors such as air temperature and the length of the day. The increase in electricity demand is particularly noticeable during winter, while lower demand is observed in summer. Seasonal variation is also pronounced differently in the case of certain end-user groups – more among households than in the industrial sector.

In the Renewables segment, electricity generation depends on natural resources like water, wind, and solar radiation. Weather conditions are a significant factor influencing electricity production in this segment.

Heat sales are closely tied to ambient temperatures – it is higher in winter and lower in summer.

6.1 Information on the business segments

Information on the business segments for 2024

	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
STATEMENT OF COMPREHENSIVE INCOME											
Sales to external customers	1,573	1,098	16,786	5,746	10,710	5,255	23,047	247	18	3	64,483
Inter-segment sales	893	476	14,224	4,950	589	50	29,515	195	523	(51,415)	-
TOTAL SEGMENT SALES	**2,466**	**1,574**	**31,010**	**10,696**	**11,299**	**5,305**	**52,562**	**442**	**541**	**(51,412)**	**64,483**
Cost of goods sold	(1,306)	(1,429)	(37,580)	(9,549)	(7,857)	(4,166)	(49,985)	(307)	(440)	49,454	(63,165)
EBIT	**938**	**85**	**(7,317)**	**621**	**3,133**	**590**	**1,867**	**55**	**46**	**(83)**	**(65)**
Depreciation, liquidation, and write-downs recognised in the financial result	402	61	8,949	884	1,440	483	37	14	51	(41)	12,280
EBITDA	**1,340**	**146**	**1,632**	**1,505**	**4,573**	**1,073**	**1,904**	**69**	**97**	**(124)**	**12,215**
GROSS LOSS	-	-	-	-	-	-	-	-	-	-	**(772)**
Income tax expense	-	-	-	-	-	-	-	-	-	-	(2,316)
NET LOSS	-	-	-	-	-	-	-	-	-	-	**(3,088)**
ASSETS AND LIABILITIES											
Segment assets without PPE, IA, RTUA and trade receivables	972	266	12,478	2,289	51	208	1,330	38	71	(1,452)	16,251
PPE, IA, RTUA	7,901	6,103	13,092	8,872	26,836	7,621	354	81	365	(453)	70,772
Trade receivables	224	121	1,809	1,541	1,747	690	9,216	67	91	(9,033)	6,473
Shares accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	371
Unallocated assets	-	-	-	-	-	-	-	-	-	-	10,127
TOTAL ASSETS	-	-	-	-	-	-	-	-	-	-	**103,994**
Segment payables excluding trade payables	960	502	25,073	2,852	3,585	864	4,775	111	133	(2,346)	36,509
Trade payables	120	237	1,133	4,126	597	2,563	5,451	72	29	(9,127)	5,201
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	16,755
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	**58,465**
OTHER INFORMATION ON THE SEGMENT											
Capital expenditure / RTUA increases	**1,648**	**2,462**	**1,031**	**1,406**	**3,841**	**498**	**34**	**19**	**142**	**(392)**	**10,689**
Impairment write-downs of financial and non-financial assets	-	-	7,869	165	22	160	74	13	10	(71)	8,242
Other non-cash expenses *	53	115	17,713	2,923	87	111	(243)	14	38	(217)	20,594

** Non-cash changes relate to provisions for e.g. rehabilitation, CO_2 emission allowances, jubilee rewards, employee tariff, and non-financial employee benefit obligations recognised in profit or loss and other comprehensive income.*

Information on the business segments for 2023

restarted	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
STATEMENT OF COMPREHENSIVE INCOME											
Sales to external customers	1,792	1	38,579	7,863	10,191	4,724	32,618	177	11	8	95,964
Inter-segment sales	1,014	-	9,390	4,763	399	4	40,698	199	351	(56,818)	-
TOTAL SEGMENT SALES	**2,806**	**1**	**47,969**	**12,626**	**10,590**	**4,728**	**73,316**	**376**	**362**	**(56,810)**	**95,964**
Cost of goods sold	(1,607)	(2)	(49,205)	(10,278)	(7,668)	(3,433)	(70,598)	(262)	(300)	55,422	(87,931)
EBIT	**753**	**(16)**	**(9,418)**	**1,168**	**2,578**	**866**	**(38)**	**42**	**38**	**596**	**(3,431)**
Depreciation, liquidation, and write-downs recognised in the financial result	361	1	10,890	784	1,302	377	34	14	50	(354)	**13,459**
EBITDA	**1,114**	**(15)**	**1,472**	**1,952**	**3,880**	**1,243**	**(4)**	**56**	**88**	**242**	**10,028**
GROSS LOSS	-	-	-	-	-	-	-	-	-	-	**(4,055)**
Income tax expense	-	-	-	-	-	-	-	-	-	-	(847)
NET LOSS	-	-	-	-	-	-	-	-	-	-	**(4,902)**
ASSETS AND LIABILITIES											
Segment assets without PPE, IA, RTUA and trade receivables	478	481	14,497	1,813	53	177	1,480	17	60	(418)	18,638
PPE, IA, RTUA	6,605	3,715	21,125	8,361	24,343	7,570	327	71	273	(78)	72,312
Trade receivables	271	-	1,250	1,748	2,120	548	10,633	84	65	(9,983)	6,736
Shares accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	453
Unallocated assets	-	-	-	-	-	-	-	-	-	-	15,304
TOTAL ASSETS	-	-	-	-	-	-	-	-	-	-	**113,443**
Segment payables excluding trade payables	916	74	30,903	2,311	3,416	987	6,182	70	72	(2,303)	42,628
Trade payables	107	2	1,538	4,382	751	2,407	5,545	48	35	(10,100)	4,715
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	18,245
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	**65,588**
OTHER INFORMATION ON THE SEGMENT											
Capital expenditure / RTUA increases	**1,223**	**732**	**1,478**	**1,523**	**4,224**	**1,053**	**31**	**17**	**97**	**(290)**	**10,088**
Acquisition of PPE, IA, RTUA as part of the acquisition of new companies	225	-	-	-	-	6,977	-	-	-	459	7,661
Impairment write-downs of financial and non-financial assets	-	-	8,965	59	12	13	375	3	5	(327)	9,105
Other non-cash expenses *	56	2	22,524	3,019	533	122	1,862	12	28	(360)	27,798

** Non-cash changes relate to provisions for e.g. rehabilitation, CO_2 emission allowances, jubilee rewards, employee tariff, and non-financial employee benefit obligations recognised in profit or loss and other comprehensive income.*

6.2 Information on geographical areas

The geographical distribution of sales revenue for 2024 and 2023 is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
OPERATING INCOME		
Domestic market	64,452	95,939
European Union Member States	31	25
TOTAL SALE REVENUE	**64,483**	**95,964**

The geographical distribution of tax expenses shown in the profit and loss account for 2024 and 2023 is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
TAX EXPENSES SHOWN IN THE PROFIT AND LOSS ACCOUNT		
Domestic market	2,312	847
European Union Member States	4	-
TOTAL TAX EXPENSES SHOWN IN THE PROFIT AND LOSS ACCOUNT	**2,316**	**847**

The geographical distribution of tax expenses shown in other comprehensive income for 2024 and 2023 is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
TAX EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Domestic market	172	(414)
European Union Member States	-	-
TOTAL TAX EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME	**172**	**(414)**

The geographical distribution of assets as at 31 December 2024 and 31 December 2023 is as follows:

	As at 31 December 2024	As at 31 December 2023
OTHER INFORMATION ON THE AREA		
Domestic market	93,491	97,683
European Union Member States	5	3
TOTAL ASSETS ALLOCATED TO SEGMENTS	**93,496**	**97,686**
Domestic market	10,081	15,257
European Union Member States	46	47
TOTAL ASSETS NOT ALLOCATED TO SEGMENTS	**10,127**	**15,304**
Domestic market	371	453
TOTAL SHARES ACCOUNTED FOR USING THE EQUITY METHOD	**371**	**453**
TOTAL ASSETS	**103,994**	**113,443**

The geographical distribution of paid income tax shown in the cash flow statement for 2024 and 2023 is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
PAID INCOME TAX SHOWN IN THE CASH FLOW STATEMENT		
Domestic market	236	1,953
European Union Member States	0.4	0.8
TOTAL PAID INCOME TAX SHOWN IN THE CASH FLOW STATEMENT	**236**	**1,954**

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7. Revenue and expenses

7.1 Sales revenue

SIGNIFICANT ACCOUNTING PRINCIPLES

Revenue from contracts with customers

Revenue is recognised in the manner reflecting the transfer of promised goods or services to a customer in the amount reflecting consideration to which the Group expects to be entitled in exchange for the specified good or service transferred.

The Group recognises revenue from a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are obliged to perform their respective obligations;
- The Group can identify each party's rights regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance;
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At contract inception, the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when the customer obtains control of that asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs,
- the Group's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict the Group's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of the Group's performance obligation).

When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price includes some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is recognised after deducting value added tax (VAT), excise duty, other sales taxes or charges, and rebates and discounts.

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from wholesale of electricity, capacity and balancing services

Contracts for the sale of electricity concluded on the wholesale market are reported to the Transmission System Operator (TSO) as a notification of the volume of electricity declared per each hour which the Group is obliged to provide as a supplier or ensure its provision and the client is obliged to accept. Both the settlement price and volume of electricity per each hour are set out in over-the counter (OTC) contracts signed or – in the case of sales on the Polish Power Exchange (TGE) – determined on the basis of transactions recorded electronically. Revenue from the sales of electricity on the power exchange is recognised on the delivery date.

As of 14 June 2024, changes were introduced to the balancing market, including a new entity and asset structure, a new catalogue of balancing services, market-based rules for acquiring balancing capacity, and revised settlement periods.

Revenue from the sales of imbalance energy (formerly balancing energy) relates to energy supplied to the Balancing Market, constituting a surplus of the actual energy delivered to the National Power System (KSE) over that declared in Operation Schedules. Additional Balancing Market revenues include balancing energy delivered due to generation forced or reduced by the TSO.

As part of the Balancing Market, the moment of sale for both balancing energy and imbalance energy is considered to be the delivery time, based on commercial reports published by the TSO. If it is not possible to recognise an invoice for the sale of energy on the Balancing Market, an estimate is made for the last ten days of the month in the respective reporting period, of the sales not invoiced in that period, based on daily settlements of balancing energy or imbalance energy delivered to the Balancing Market in the following days of that ten-day period, or based on historical data. Additional revenues include revenues from Balancing Capacity settlements, accounted for every ten days.

Revenue from heat sales

Revenue is measured using currently applicable heat tariffs, approved by the President of the Energy Regulatory Office. In terms of heat generation, heat prices refer to the contracted heating capacity, the thermal energy sold, and the heat carrier, while the variable and fixed fees refer to distribution and transmission. Invoiced revenue from the sales of heat is the product of the aforementioned tariff rates and sales volumes.

Heat sales in quantitative terms is based on the readings of the measurement and billing systems. Quantities are based on readings from metering and settlement systems, taken on designated business days each month, including near the month-end. Therefore, for the purposes of the closing of accounts, sales volumes are estimated for the period between the last reading date of the month and the end of that month.

Revenue from the sales of heat is recognised upon delivery of heat according to the meter readings, including any additional estimates.

Revenue from sales of electricity distribution services

The amount of revenue from the sales of electricity distribution services results from the sales documented by invoices, adjusted for the estimated un-invoiced sales in the respective period. Sales are re-estimated on that basis at least once at the end of each quarter.

Revenue from distribution services is recognised at the time the service is provided, based on the metering and billing systems' readings, including an additional component of estimated consumption.

The value of fees collected on behalf of third parties, for which the Group acts as a payer, i.e. the transition fee, RES fee, co-generation fee and capacity fee, is not included in sales revenue.

Revenue from sales to electricity and gas end-users

The Group generates revenue by selling electricity and natural gas to end-users. Revenue from the sales of electricity is recognised on the basis of the sales month indicated on the invoices.

Due to the continuous nature of energy deliveries, correct accounting requires the Group to adjust sales revenue (invoiced sales) by the amount of energy delivered but not invoiced in the period in question. The electricity sales are re-estimated at the end of each month.

It is done for each energy consumption point separately and for each price component and tariff type separately. The re-estimation of electricity volume is calculated based on the average daily electricity consumption for a given consumption point, determined using:

- data from invoiced electricity sales in the most recent settlement period,
- forecasted daily consumption of electricity and natural gas.

The re-estimation of electricity volume for a newly acquired electricity consumption point (with no electricity consumption history in the billing system) is determined based on the volume declared by the customer.

In the case of consumption points settled using forecast invoices, the re-estimation adjusts the sales by recalculating the amount of charges for the forecasted volume of electricity using the applicable rates valid during the forecast period.

The estimated sales of electricity and natural gas are presented under Trade and other payables.

Capacity Market revenues

Under the Capacity Market Act, capacity providers may offer a capacity obligation to the TSO via auctions for a specified delivery period. A capacity obligation is defined as the obligation of a capacity provider to remain available during the delivery period to provide a specified amount of electric capacity to the system through a capacity market unit and to supply the specified electric capacity to the system during stress events.

Operating lease revenues

Revenues from operating lease are recognised in the profit or loss of the current period using the straight-line method over the lease term, unless another systematic method reflects the time pattern of the reduction in benefits derived from the leased asset better.

The non-discounted lease payments to be received annually in subsequent periods are presented in the table below.

Maturities	Year ended 31 December 2024	Year ended 31 December 2023
up to 1 year	96	69
from 1 to 2 years	84	63
from 2 to 3 years	79	58
from 3 to 4 years	77	54
from 4 to 5 years	321	53
over 5 years	1,115	860

Lease payments recognised as income in 2024 amounted to PLN 105 million (PLN 97 million in 2023). The Group has not generated any operating lease revenue from variable lease payments that do not depend on an index or a rate.

Sales revenue by category

The tables below present revenue from contracts with customers divided into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Year ended 31 December 2024 Type of good or service	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
Revenue from sales of goods and products including taxes and charges	2,425	1,573	30,949	10,365	12,003	4,912	48,283	228	-	(49,144)	**61,594**
Taxes and charges collected on behalf of third parties	-	-	(12)	(5)	(1,533)	(257)	(152)	-	-	-	**(1,959)**
Revenue from sales of goods and products, of which:	**2,425**	**1,573**	**30,937**	**10,360**	**10,470**	**4,655**	**48,131**	**228**	**-**	**(49,144)**	**59,635**
Electricity	1,625	1,452	27,253	5,327	9	2,224	21,625	-	-	(22,489)	**37,026**
Capacity market	248	118	2,214	270	-	-	34	-	-	3	**2,887**
Distribution services	-	-	5	24	9,943	2,164	111	-	-	(465)	**11,782**
Heat	-	-	177	4,685	-		17	-	-	(29)	**4,850**
Energy origin rights	194	-	-	17	-	-	2	-	-	(128)	**85**
Regulatory system services	18	-	269	2	-	-	-	-	-	-	**289**
Balancing services (balancing capacity/operational reserve)	303	2	828	-	-	-	-	-	-	-	**1,133**
Natural gas	-	-	-	-	-	-	200	-	-	(168)	**32**
Other fuels	-	-	-	-	-	220	949	-	-	(388)	**781**
CO_2 emission allowances	-	-	-	21	-	-	25,162	-	-	(25,144)	**39**
Other	37	1	191	14	518	47	31	228	-	(336)	**731**
Revenue from sales of services	**47**	**-**	**57**	**50**	**64**	**553**	**1,556**	**213**	**541**	**(2,238)**	**843**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**2,472**	**1,573**	**30,994**	**10,410**	**10,534**	**5,208**	**49,687**	**441**	**541**	**(51,382)**	**60,478**
Date of transfer of goods or services:											
- over time:	2,194	1,572	30,746	10,308	9,952	4,388	21,987	-	-	(23,148)	57,999
- at a particular point in time	278	1	248	102	582	820	27,700	441	541	(28,234)	2,479

Year ended 31 December 2023 Type of good or service *restarted*	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
Revenue from sales of goods and products including taxes and charges	2,784	-	47,905	11,948	10,759	4,297	64,348	164	-	(54,297)	87,908
Taxes and charges collected on behalf of third parties	-	-	(10)	(4)	(1,497)	(156)	(138)	-	-	-	(1,805)
Revenue from sales of goods and products, of which:	**2,784**	**-**	**47,895**	**11,944**	**9,262**	**4,141**	**64,210**	**164**	**-**	**(54,297)**	**86,103**
Electricity	2,291	-	43,629	7,048	11	1,837	27,942	-	-	(20,873)	**61,885**
Capacity market	259	-	2,203	218	-	-	30	-	-	-	**2,710**
Distribution services	-	-	17	23	8,817	1,542	74	-	-	(352)	**10,121**
Heat	-	-	135	4,513	-	-	14	-	-	(18)	**4,644**
Energy origin rights	214	-	-	72	-	-	-	-	-	(27)	**259**
Regulatory system services	14	-	1,698	3	-	-	-	-	-	-	**1,715**
Natural gas	-	-	-	-	-	-	927	-	-	(698)	**229**
Other fuels	-	-	-	-	-	168	6,147	-	-	(3,146)	**3,169**
CO_2 emission allowances	-	-	68	54	-	-	29,071	-	-	(29,043)	**150**
Other	6	-	145	13	434	594	5	164	-	(140)	**1,221**
Revenue from sales of services	**43**	**-**	**61**	**60**	**65**	**446**	**1,945**	**212**	**361**	**(2,493)**	**700**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**2,827**	**-**	**47,956**	**12,004**	**9,327**	**4,587**	**66,155**	**376**	**361**	**(56,790)**	**86,803**
Date of transfer of goods or services:		-									
- over time:	2,564	-	47,682	11,805	8,828	3,379	28,987	-	-	(21,941)	81,304
- at a particular point in time	263	-	274	199	499	1,208	37,168	376	361	(34,849)	5,499

The table below shows reconciliation between the disclosure of revenue by category and the information about revenue disclosed by the Group for each reporting segment.

Year ended 31 December 2024	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
Revenue from contracts with customers	2,472	1,573	30,994	10,410	10,534	5,208	49,687	441	541	(51,382)	**60,478**
Compensation – energy, gas, heat, distribution service	-	-	-	176	692	97	2,827	-	-	-	**3,792**
Compensations – coal	-	-	-	-	-	-	41	-	-	-	**41**
RES auction support system	(13)	-	-	-	-	-	-	-	-	-	**(13)**
High-efficiency cogeneration support	-	-	-	76	-	-	-	-	-	-	**76**
Compensations – Long-term Contracts	-	-	-	4	-	-	-	-	-	-	**4**
Leasing	7	1	16	30	73	-	7	1	-	(30)	**105**
TOTAL SALES REVENUE	**2,466**	**1,574**	**31,010**	**10,696**	**11,299**	**5,305**	**52,562**	**442**	**541**	**(51,412)**	**64,483**

Year ended 31 December 2023 *restarted*	Renewables	Gas-fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other activities	Adjustments	Total
Revenue from contracts with customers	2,827	-	47,956	12,004	9,327	4,587	66,155	376	361	(56,790)	**86,803**
Compensation – energy, gas, heat, distribution service	-	-	1	120	1,199	141	6,197	-	-	-	**7,658**
Compensations – coal	-	-	-	-	-	-	958	-	-	-	**958**
RES auction support system	(27)	-	-	-	-	-	-	-	-	-	**(27)**
High-efficiency cogeneration support	-	-	-	584	-	-	-	-	-	-	**584**
Compensations – Long-term Contracts	-	-	-	(109)	-	-	-	-	-	-	**(109)**
Leasing	6	1	12	27	64	-	6	-	1	(20)	**97**
TOTAL SALES REVENUE	**2,806**	**1**	**47,969**	**12,626**	**10,590**	**4,728**	**73,316**	**376**	**362**	**(56,810)**	**95,964**

In 2024, the total revenue amount includes approx. PLN 18 million in sales transactions for which the value was not ultimately established as at the end of the reporting period. PGE Group makes estimates, the most significant of which relate to the accrual of uninvoiced sales of electricity, natural gas, and distribution services in the Supply, Distribution, Railway Energy Services, and District Heating segments. Additionally, due to energy market regulations, settlement adjustments may occur, as disclosed in Note 2.4 of this consolidated financial statements.

7.2 Expenses by kind and function

SIGNIFICANT ACCOUNTING PRINCIPLES

Cost of goods sold

The cost of goods sold includes:

- the cost of products manufactured in the reporting period, adjusted for the change in the volume of products (finished products, semi-finished products, and work in progress) and adjusted for the cost of products manufactured for the company's own purposes,
- value of the electricity, goods, and materials sold at the acquisition price,
- changes in the fair value measurement of financial instruments related to coal measured at fair value, as well as changes in the measurement of coal inventories measured at fair value.

The production costs which can be allocated directly to the Group's revenue influence its financial result for the reporting period in which such revenue occurs.

The production costs which can be allocated only indirectly to revenue or other benefits achieved by the Group influence its financial result in the part in which they concern a given reporting period, ensuring their proportionality to revenue or other economic benefits.

	Year ended 31 December 2024	Year ended 31 December 2023 *restarted*
EXPENSES BY KIND		
Depreciation and impairment write-downs	12,311	13,501
Material and energy consumption	10,229	13,693
Third-party services	5,265	4,695
Taxes and charges	22,226	32,743
Employee benefits expenses	8,163	7,462
Other expenses by kind	503	514
TOTAL EXPENSES BY KIND	**58,697**	**72,608**
Change in stock of goods	(11)	(39)
Cost of producing services for the entity's own use	(1,341)	(1,318)
Distribution and selling expenses	(928)	(8,151)
General and administrative expenses	(1,943)	(1,853)
Value of goods and materials sold	8,691	26,684
COST OF GOODS SOLD	**63,165**	**87,931**

As presented in Note 7.2.1 of these financial statements, in 2024, as a result of impairment tests, the Group recognised impairment write-downs on non-current assets in the Conventional Generation segment in the amount of PLN 7,444 million under 'Depreciation and write-downs.'

A significant decrease in selling and distribution costs was driven by the recognition of the PDPF write-down cost only in the comparative period.

7.2.1 Costs Depreciation, disposal, and impairment write-downs

The table below presents depreciation and disposal as well as impairment write-downs on property, plant and equipment, intangible assets, rights to use assets, and investment property in the consolidated statement of comprehensive income.

Year ended	Depreciation and disposal					Impairment write-downs			
31 December 2024	**PPE**	**IA**	**RTUA**	**IP**	**TOTAL**	**PPE**	**IA**	**RTUA**	**TOTAL**
Cost of goods sold	4,133	97	107	2	4,339	7,701	35	-	7,736
Distribution and selling expenses	11	3	1	-	15	-	-	-	-
General and administrative expenses	128	31	28	-	187	2	-	1	3
CHARGED TO FINANCIAL RESULT	**4,272**	**131**	**136**	**2**	**4,541**	**7,703**	**35**	**1**	**7,739**
Change in stock of goods	(2)	-	-	-	(2)	-	-	-	-
Cost of producing services for the entity's own use	23	4	6	-	33	-	-	-	-
TOTAL	**4,293**	**135**	**142**	**2**	**4,572**	**7,703**	**35**	**1**	**7,739**

Year ended	Depreciation and disposal					Impairment write-downs			
31 December 2023	**PPE**	**IA**	**RTUA**	**IP**	**TOTAL**	**PPE**	**IA**	**RTUA**	**TOTAL**
Cost of goods sold	4,408	86	94	2	4,590	8,690	6	1	8,697
Distribution and selling expenses	11	2	4	-	17	-	-	-	-
General and administrative expenses	102	25	21	-	148	6	1	-	7
CHARGED TO FINANCIAL RESULT	**4,521**	**113**	**119**	**2**	**4,755**	**8,696**	**7**	**1**	**8,704**
Change in stock of goods	5	-	-	-	5	-	-	-	-
Cost of producing services for the entity's own use	34	2	1	-	37	-	-	-	-
TOTAL	**4,560**	**115**	**120**	**2**	**4,797**	**8,696**	**7**	**1**	**8,704**
Other operating income	-	-	-	-	-	(4)	-	-	(4)

In 2024, the Group conducted impairment tests on non-current assets, which resulted in total impairment write-downs of PLN 7,444 million (PLN 8,446 million in the comparative period). A detailed description can be found in Note 3.2 to this financial statements.

Other impairment write-downs recognised during the reporting period relate to capital expenditures incurred in entities where full impairment was identified in prior periods.

Under Depreciation and disposal, the Group recognised an amount of PLN 49 million in the current period in respect of the net value of the disposal of PPE and IA (PLN 25 million in the comparative period).

7.2.2 Material and energy consumption

	Year ended 31 December 2024	Year ended 31 December 2023
Production fuel costs	8,512	11,473
Consumption of maintenance and operating materials	608	638
Energy consumption	502	942
Other	607	640
TOTAL MATERIAL AND ENERGY CONSUMPTION	**10,229**	**13,693**

7.2.3 Third party services

	Year ended 31 December 2024	Year ended 31 December 2023
Transmission services	3,326	2,854
Third-party services – maintenance and operation	670	596
IT services	241	196
Transport services	209	364
Consulting services	79	74
Rents and leases	45	37
Telecommunications services	28	26
Other	667	548
TOTAL COSTS OF THIRD PARTY SERVICES	**5,265**	**4,695**

7.2.4 Taxes and charges

	Year ended 31 December 2024	Year ended 31 December 2023
CO_2 emission fees	20,341	23,714
Property tax	1,193	1,093
Environmental charges	647	1,107
Contribution to the PDPF	(208)	6,569
Other	253	260
TOTAL TAXES AND CHARGES	**22,226**	**32,743**

For the year 2024, the Group was no longer required to make contributions to the PDPF. In accordance with the Act on extraordinary measures to reduce electricity prices and support certain consumers in the years 2023–2025, the obligation to make contributions to the Fund applied to the period from 1 December 2022 to 31 December 2023. In 2024, the Group only recognised cost adjustments related to these contributions for previous periods, resulting from the submission of corrective reports.

7.2.5 Costs of employee benefits and structure of employment

	Year ended 31 December 2024	Year ended 31 December 2023
Payroll	5,968	5,269
Cost of social insurance	1,149	1,018
Costs of retirement benefits	78	68
Anniversary gifts, food and drink vouchers	168	157
Other post-employment benefits	80	66
Change in the value of the provision for employee benefits	(170)	110
Costs related to the Retirement Departure Programme	5	-
Other employee benefits expenses	885	774
TOTAL EMPLOYEE BENEFITS EXPENSES, INCLUDING:	**8,163**	**7,462**
Items recognised in cost of goods sold	5,964	5,424
Items recognised in distribution and selling expenses	478	465
Items recognised in general and administrative expenses	1,144	1,056
Cost of producing services for the entity's own use	577	517

Under Other employee benefits, the Group recognised, among other things, the costs of employee pension schemes, contributions to the Company Social Benefits Fund (CSBF), as well as medical care and training expenses.

Employment in the PGE Capital Group (in full-time equivalents) was as follows:

Segment	As at 31 December 2024	As at 31 December 2023 *restarted*
Renewables	798	777
Gas-fired Generation	90	80
Conventional Generation	18,204	19,816
District Heating	3,363	3,409
Distribution	9,733	9,737
Railway Energy Services	3,940	3,889
Supply	3,288	3,172
Circular Economy	987	992
Other consolidated companies	1,572	680
TOTAL EMPLOYMENT	**41,975**	**42,552**

7.3 Other operating income and expenses

SIGNIFICANT ACCOUNTING PRINCIPLES

Other operating income and expenses

Other operating income and expenses are recognised in the statement in accordance with the principle of prudence and proportionality.

	Year ended 31 December 2024	Year ended 31 December 2023 *restarted*
OTHER NET OPERATING INCOME/(EXPENSES)		
Effect of changes in the valuation of provisions for rehabilitation costs	622	(527)
Penalties, fines and compensation	592	69
(Creation)/Reversal of other provisions	526	(788)
(Establishment of) impairment write-downs on receivables	(474)	(113)
Measurement and settlement of derivative instruments – coal	193	(12)
Grants	49	30
Surpluses, asset disclosures / Settlement of inventory shortages	40	(30)
PPE / IA and other infrastructure received free of charge	38	30
Donations made	(33)	(43)
Damage and failure remediation	(22)	(51)
Profit/(Loss) on disposal of PPE/IA	14	22
Other	(57)	(47)
TOTAL OTHER NET OPERATING INCOME/(EXPENSES)	**1,488**	**(1,460)**

The issue of the rehabilitation provision measurement is discussed in Note 20.1 of these financial statements.

The increase in penalties, fines and compensation is due to the issuance by PGE GiEK S.A. of a debit note in the amount of PLN 357 million to the consortium of Mitsubishi Power Europe GmbH, TECNICAS REUNIDAS S.A. and BUDIMEX S.A. The contractual penalty was fully covered by an impairment write-down in the same amount.

Additionally, in December 2024, PGE GiEK S.A. offset part of the receivable related to the contractual penalty against the contractor's receivable for the reimbursement of the executed guarantee, for a total amount of PLN 135 million. As a result of the offset, the impairment write-down related to the penalty was partially reversed, while a provision in the same amount was recognised due to the risk that the contractor might challenge this operation. These events are discussed in Note 27.3 of these financial statements.

In the current reporting period, the Group recognised impairment write-down on trade receivables from the PKP Cargo S.A. Group in the amount of PLN 121 million.

The reversal of other provisions relates, among other things, to provisions for onerous contracts with Gx tariff group customers of PGE Obrót S.A., as described in Note 20.4 of these financial statements.

7.4 Finance income and expenses

SIGNIFICANT ACCOUNTING PRINCIPLES

Finance income and expenses

Interest income and expenses are recognised successively on an accrual basis using the effective interest rate method, based on the net carrying amount of the relevant financial instrument as at the reporting date, taking into account the materiality principle.

Dividends are recognised at the time when shareholders' rights to receive them are established.

	Year ended 31 December 2024	Year ended 31 December 2023
NET FINANCE INCOME/(EXPENSES) FROM FINANCIAL INSTRUMENTS		
Dividends	3	1
Interest, including	(278)	459
Interest income calculated using the effective interest rate method	520	1.184
Revaluation of financial assets	248	(42)
Reversal / (Establishment) of write-downs	10	(509)
Foreign exchange differences	(53)	(46)
Gain/(Loss) on disposal of investments	(17)	20
TOTAL NET FINANCE INCOME/(EXPENSES) FROM FINANCIAL INSTRUMENTS	**(87)**	**(117)**
OTHER NET FINANCE INCOME/(EXPENSES)		
Interest costs on non-financial items	(524)	(474)
Interest on tax receivables	-	(12)
Reversal of provisions	1	(2)
Other	(18)	(21)
TOTAL OTHER NET FINANCE INCOME/(EXPENSES)	**(541)**	**(509)**
TOTAL NET FINANCE INCOME/(EXPENSES)	**(628)**	**(626)**

The Group recognises interest income primarily from cash held in bank accounts and deposits, interest on bonds, and settled IRS transactions.

Interest expenses mainly relate to loans and borrowings as well as issued bonds. Interest expense on lease liabilities amounted to PLN 74 million in the current reporting period (PLN 66 million in 2023). Interest expense on non-financial items concerns rehabilitation provisions and provisions for employee benefits.

Income from revaluation in the current reporting period primarily results from the measurement of derivative instruments and embedded derivatives included in electricity sales contracts in the Renewables segment.

7.5 Share in the result of entities accounted for using the equity method

2024	Polimex Mostostal	PEC Bogatynia	Energopo-miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
VOTING RIGHTS	**16.33%**	**34.93%**	**49.79%**	**50.00%**	**50.00%**	**89.96%**
Revenue	2,617	38	83	-	-	82
Profit from continuing operations	(447)	-	1	(1)	(16)	6
Share in the result of entities accounted for using the equity method	**(73)**	**-**	**1**	**-**	**(8)**	**5**
Elimination of unrealised profits and losses	20	-	-	-	-	-
Impairment loss	(24)	-	-	-	-	-
SHARE IN THE RESULT OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(77)**	**-**	**1**	**-**	**(8)**	**5**
Other comprehensive income	6	-	-	-	-	-
SHARE IN OTHER COMPREHENSIVE INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	-	-	-	-	-	-

2023	Polimex Mostostal	PEC Bogatynia	Energopo-miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester*
VOTING RIGHTS	**16.22%**	**34.93%**	**49.79%**	**50.00%**	**50.00%**	**89.96%**
Revenue	3,322	27	68	-	-	73
Profit from continuing operations	55	(1)	-	-	(3)	7
Share in the result of entities accounted for using the equity method	**9**	**-**	**-**	**-**	**(1)**	**6**
Elimination of unrealised profits and losses	(12)	-	-	-	-	-
SHARE IN THE RESULT OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(3)**	**-**	**-**	**-**	**(1)**	**6**
Other comprehensive income	6	-	-	-	-	-
SHARE IN OTHER COMPREHENSIVE INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1**	-	-	-	-	-

**the share in Elester sp. z o.o. was presented for the period during which joint control over this company was exercised, i.e. from 3 April 2023*

The Group made a consolidation adjustment relating to margin on contracts performed by Polimex - Mostostal for the benefit of the Group.

8. Income tax

SIGNIFICANT ACCOUNTING PRINCIPLES

Income tax

Income tax recognised in profit or loss comprises current and deferred income tax.

The actual tax burden for the reporting period is recognised in profit or loss, as determined by the Group companies in accordance with applicable provisions of the Corporate Income Tax Act, as well as changes in deferred tax assets and liabilities not recognised in equity.

8.1 Tax in the statement of comprehensive income

The major items of the income tax expense for the periods ended 31 December 2024 and 31 December 2023 are as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Current income tax	1,493	1,268
Adjustments related to current income tax for previous years	(44)	20
Deferred income tax	827	(476)
Deferred income tax adjustments	40	35
INCOME TAX EXPENSE RECOGNISED IN THE FINANCIAL RESULT	**2,316**	**847**
INCOME TAX EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME		
On actuarial gains and losses on valuation of employee benefit provisions	42	(164)
On valuation of hedging instruments	130	(250)
(Tax advantage) / tax burden recognised in other comprehensive income (equity)	**172**	**(414)**

As presented in Note 6.2, in the current reporting period under deferred income tax, the Group reports tax recognised by the company PGE Sweden AB (publ) in the amount of PLN 4 million (in the comparative period, this company did not recognise a tax burden in profit or loss).

8.2 Effective tax rate

The reconciliation of income tax on the gross financial result before tax at the statutory interest rate with income tax calculated according to the effective tax rate is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
PROFIT/(LOSS) BEFORE TAX	**(772)**	**(4,055)**
Tax at statutory rate effective in Poland – 19%	(147)	(770)
ITEMS ADJUSTING INCOME TAX		
Adjustments related to current income tax for previous years	(44)	20
Adjustments to deferred income tax	40	35
Reversal of deferred tax assets relating to the difference between the tax and net book value of property, plant and equipment and intangible assets	1,576	-
Reversal of deferred tax assets relating to provisions for CO_2 emission allowances and employee benefits	836	-
Reversal of deferred tax assets relating to the reclamation provision for the rehabilitation of final excavation sites	-	523
Non-deductible expenses	46	152
Tax loss for which no deferred tax asset has been recognised	84	438
Creation/reversal of non-tax-deductible provisions and impairment write-downs	(30)	551
Income not subject to tax	2	(66)
Other adjustments	(47)	(36)
INCOME TAX AT EFFECTIVE TAX RATE **Income tax (burden) in the consolidated financial statements**	**2,316**	**847**
EFFECTIVE TAX RATE	**(300)%**	**(21)%**

The main factor affecting the value of the effective tax rate was the outcome of the recoverability review of deferred tax assets and unrecognised deferred tax assets at PGE GiEK, which is described in more detail in Note 13.1.

In 2023, the Group reversed deferred tax assets on reclamation provisions; in 2024, it continued not to recognise deferred tax assets on this account.

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. Property, plant and equipment

SIGNIFICANT ACCOUNTING PRINCIPLES

Property, plant and equipment

Property, plant and equipment are defined as assets:

- that are held to be used in the production process or in the supply of goods and services, to be made available to other entities under lease agreements, or for administrative purposes, and
- for which it is expected that they will be used for a period longer than one year.

Property, plant and equipment are valued at the net value, i.e. the initial value (or at the cost assumed for non-current assets used before the date of transition to IFRSs) less depreciation and impairment write-downs. The initial value of property, plant and equipment includes their purchase price plus all costs related directly to their purchase and adjustment to the condition making them available for use. Such costs include also the expected costs of the decommissioning of tangible fixed assets, their disposal, and the restoration of a particular location of a given asset to its original condition. The obligation to incur such costs occurs at the time of the installation of an asset or its usage for purposes other than the manufacture of inventories. On the date of acquisition or manufacture of an item of property, plant and equipment, the Group identifies and separates all material components of the asset in comparison to the purchase price, manufacturing cost or deemed cost of the entire item, and depreciates each such component separately. The Group also recognises the cost of capital overhauls and periodic inspections that meet the definition of a component as part of the property, plant and equipment item.

The basis for calculating depreciation charges is a purchase price/manufacturing cost of a component of tangible fixed assets less its residual value. Depreciation starts when an asset is available for use. Depreciation of tangible fixed assets takes place on the basis of a depreciation plan specifying the expected economic lifetime of a component of tangible fixed assets. The depreciation method used reflects the manner in which the Group consumes the economic benefits derived from the asset. Major overhauls and periodic inspections that are components of property, plant and equipment are depreciated over the period from the month following the completion of the overhaul/inspection to the month of commencement of the next one.

The depreciation method, depreciation rate and residual value of property, plant and equipment are subject to annual review. Any changes resulting from the review are recognised as changes in estimates, and any adjustments to depreciation are made in the year of the review and in future periods.

Construction in progress refers to property, plant and equipment that are in the course of construction or assembly and are recognised at purchase price or cost of manufacture, less any impairment losses. Property, plant and equipment under construction are not depreciated until construction is completed and the asset is put into use.

Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the purchase price or production cost of that asset. Other borrowing costs are recognised as period costs. In the case of exchange differences arising from foreign currency loans and borrowings, the Group capitalises them to the extent that they are considered an adjustment to interest costs.

Impairment of non-financial fixed assets

At each reporting date, the Group assesses whether there is any indication that any non-financial fixed asset may be impaired. If any such indication exists, or if an annual impairment test is required, the Group estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit corresponds to the fair value less costs to sell of that asset or cash-generating unit, or its value in use, depending on which is higher. The recoverable amount is determined for individual assets unless the asset does not generate cash inflows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, impairment is recognised, and the asset is written down to its recoverable amount. In

estimating value in use, projected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment write-downs on assets used in continuing operations are recognised in the cost categories that correspond to the function of the asset for which impairment has been identified.

Overburden removal costs

Where the conditions set out in IFRIC 20 are met, mines also recognise, as part of property, plant and equipment, an asset related to overburden removal, i.e. the costs of overburden removal incurred during the production phase. The value of the overburden removal asset at the production stage is determined using a model that includes, among other elements, the estimated overall stripping ratio (the ratio of overburden volume to coal volume) and the actual annual stripping ratio. This ratio is calculated as the ratio of the remaining overburden to be removed to the remaining coal reserves to be extracted from the date of application of IFRIC 20 until the end of extraction from the given deposit component. The ratio is determined based on the best available knowledge of the mine's technical departments at the end of each financial year and may change as new information becomes available during ongoing extraction work regarding the size and formation of the deposit.

The overburden removal asset is depreciated systematically using a natural method based on the quantity of coal extracted from the relevant deposit component.

Valuation of the overburden removal asset at the production stage

The value of the overburden removal asset at the production stage is determined using a model that includes, among other elements, the estimated value of the overall stripping ratio.

Rehabilitation costs of final excavation pits in opencast mines

Opencast mines operating within the PGE Capital Group recognise in the value of fixed assets the estimated rehabilitation costs of final excavation pits attributable to the overburden extracted, in proportion to the ratio of the pit volume attributable to overburden as at the reporting date to the planned pit volume attributable to overburden at the end of the extraction period.

The rehabilitation cost asset is depreciated systematically using a natural method based on the quantity of coal extracted from the given pit.

Property, plant and equipment under operating leases

The Group classifies each of its leases as either a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. All other types of leases are classified as operating leases.

Assets subject to operating leases are presented in the statement of financial position according to the nature of those assets.

As a lessor, the entity divides each class of property, plant and equipment into assets subject to operating leases and those not subject to operating leases.

Economic lifetimes adopted for individual groups of property, plant and equipment

Asset group	Average remaining depreciation period in years	Most common depreciation periods in years
Buildings, premises and civil engineering structures	18	20 – 60
Machinery and technical equipment	11	2 – 40
Means of transport	6	4 – 15
Other property, plant and equipment	1	3 – 10

	As at 31 December 2024	As at 31 December 2023
Land	241	236
Buildings and structures	30,253	29,320
Technical equipment	26,169	27,161
Means of transport	616	583
Other property, plant and equipment	107	393
PPE under construction	9,555	10,815
NET VALUE OF PROPERTY, PLANT AND EQUIPMENT	**66,941**	**68,508**

Changes in property, plant and equipment by asset group

	Land	Buildings and structures	Technical equipment	Means of transport	Other PPE	PPE under construction	Total
GROSS BOOK VALUE							
AS AT 1 JANUARY 2024	**274**	**55,754**	**70,916**	**1,299**	**9,893**	**11,037**	**149,173**
CapEx	-	-	4	-	10	10,532	**10,546**
Settlement of PPE under construction	8	4,704	6,820	139	39	(11,710)	**-**
Disposal, sale	-	(142)	(835)	(21)	(11)	-	**(1,009)**
Effect of changing the assumptions for the rehabilitation provision	-	(41)	(21)	-	(107)	-	**(169)**
Donations and free-of-charge transfers	-	105	4	(2)	-	-	**107**
Other	-	(27)	10	7	(1)	(56)	**(67)**
AS AT 31 DECEMBER 2024	**282**	**60,353**	**76,898**	**1,422**	**9,823**	**9,803**	**158,581**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS							
AS AT 1 JANUARY 2024	**38**	**26,434**	**43,755**	**716**	**9,500**	**222**	**80,665**
Depreciation and net book value of disposals recognised in operating expenses	4	1,710	2,371	109	87	12	**4,293**
Impairment write-downs	-	2,096	5,430	-	144	19	**7,689**
Disposal, sale	-	(137)	(823)	(20)	(11)	-	**(991)**
Other	(1)	(3)	(4)	1	(4)	(5)	**(16)**
AS AT 31 DECEMBER 2024	**41**	**30,100**	**50,729**	**806**	**9,716**	**248**	**91,640**
NET VALUE AT 31 DECEMBER 2024	**241**	**30,253**	**26,169**	**616**	**107**	**9,555**	**66,941**

	Land	Buildings and structures	Technical equipment	Means of transport	Other PPE	PPE under construction	Total
GROSS BOOK VALUE							
AS AT 1 JANUARY 2023	**235**	**49,624**	**66,303**	**964**	**8,533**	**6,851**	**132,510**
CapEx	-	-	1	-	6	9,913	**9,920**
Settlement of PPE under construction	11	3,610	3,184	128	68	(7,001)	**-**
Disposal, sale	(2)	(168)	(440)	(14)	(9)	(5)	**(638)**
Change in the composition of the CG	33	2,515	1,935	224	8	1,323	**6,038**
Effect of changing the assumptions for the rehabilitation provision	-	52	26	-	1,282	-	**1,360**
Donations and free-of-charge transfers	-	97	5	(1)	-	-	**101**
Other	(3)	24	(98)	(2)	5	(44)	**(118)**
AS AT 31 DECEMBER 2023	**274**	**55,754**	**70,916**	**1,299**	**9,893**	**11,037**	**149,173**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS							
AS AT 1 JANUARY 2023	**35**	**23,118**	**37,165**	**631**	**6,992**	**181**	**68,122**
Depreciation and net book value of disposals recognised in operating expenses	3	1,726	2,474	98	253	6	**4,560**
Impairment write-downs	-	1,775	4,600	1	2,258	42	**8,676**
Disposal, sale	-	(163)	(429)	(13)	(8)	-	**(613)**
Other	-	(22)	(55)	(1)	5	(7)	**(80)**
AS AT 31 DECEMBER 2023	**38**	**26,434**	**43,755**	**716**	**9,500**	**222**	**80,665**
NET VALUE AT 31 DECEMBER 2023	**236**	**29,320**	**27,161**	**583**	**393**	**10,815**	**68,508**

Significant increases in property, plant and equipment

The highest capital expenditures on property, plant and equipment (PPE) were incurred in the following segments:

- Distribution: PLN 3,788 million,
- Gas-fired Generation: PLN 2,462 million,
- Renewables: PLN 1,647 million,
- District Heating: PLN 1,404 million,
- Conventional Generation: PLN 1,018 million.

The main capital expenditures in the Distribution segment included: the connection of new customers to the distribution grid – PLN 1,569 million, the Remote Reading Meters Programme – PLN 586 million, and the cable programme – PLN 430 million.

In the Gas-fired Generation segment, expenditures focused on the construction of two combined-cycle gas turbine units in PGE Gryfino Dolna Odra – PLN 850 million, and the construction of the CCGT unit in PGE Nowy Rybnik – PLN 1,453 million.

In the Conventional Generation segment, the main expenditures were incurred at Bełchatów Power Plant for the realignment and refurbishment of the absorber internal installation – PLN 57 million, major overhauls of Unit 4 – PLN 49 million, Unit 3 – PLN 46 million, and Unit 2 – PLN 44 million; at Turów Power Plant for the medium overhaul of Unit 1 – PLN 32 million and the plant's compliance with BAT conclusions – PLN 33 million; and at Turów Mine for wind protection screens near the ash landfill – PLN 28 million.

In the District Heating segment, the largest expenditures were incurred for the construction of a cogeneration unit based on 5 gas engines at EC Bydgoszcz – PLN 266 million, the installation of the second process line of the Waste-to-Energy Plant (WTE) at EC Rzeszów – PLN 166 million, and the construction of the new EC Czechnica CHP plant – PLN 223 million.

In the Renewables segment, significant expenditures were incurred for strategic modernisation projects – PLN 183 million, the modernisation and maintenance of generation assets – PLN 85 million, the PV Programme – PLN 341 million, as well as preparation for the implementation of offshore wind farms, namely EWB 2 – PLN 787 million and EWB 1 – PLN 111 million.

In the Railway Energy Services segment, the largest expenditure was the Modernisation of Power Supply Systems – PLN 265 million.

In the comparative period, the highest capital expenditures on PPE were incurred in the following segments:

- Distribution: PLN 4,184 million,
- District Heating: PLN 1,503 million,
- Conventional Generation: PLN 1,461 million,
- Railway Energy Services: PLN 1,023 million.

The main items of expenditure included the connection of new customers to the distribution grid – PLN 1,593 million, and the cable programme – PLN 881 million. In the Conventional Generation segment, the main expenditures were incurred at Bełchatów Power Plant for major overhauls of Unit 7 – PLN 43 million and Unit 14 – PLN 365 million; at Turów Power Plant for compliance with BAT conclusions – PLN 49 million; and at Opole Power Plant for the medium overhaul of Unit 4 and the major overhaul of the turbogenerator – PLN 41 million. In the District Heating segment, the largest expenditures were incurred for the construction of the new EC Czechnica CHP plant – PLN 538 million, the construction of a cogeneration source at EC Bydgoszcz – PLN 69 million, and the installation of the second process line of the WTE Plant at EC Rzeszów – PLN 161 million. In the Railway Energy Services segment, the largest expenditure was the Modernisation of Power Supply Systems – PLN 998 million.

In the comparative period:

- On 3 April 2023, the Group acquired 100% of shares in PKPE Holding. The transaction increased the net value of property, plant and equipment by PLN 5,699 million.
- On 20 September 2023, PGE Energia Odnawialna S.A. acquired 100% of shares in LongWing Polska sp. z o.o. The transaction increased the net value of property, plant and equipment by PLN 331 million.

Significant decreases in property, plant and equipment

As presented in the tables above and in Note 3.1 to these financial statements, in 2024 and 2023, as a result of impairment tests, the Group recognised impairment write-downs on property, plant and equipment under impairment losses.

Borrowing costs

During the year ended 31 December 2024, PGE Capital Group recognised borrowing costs of approximately PLN 164 million as part of property, plant and equipment (PLN 206 million in the comparative period). The capitalisation rate of borrowing costs for the year ended 31 December 2024 amounted to 26% (31% in the comparative period).

Capitalised overburden removal costs

In the comparative period, in accordance with the requirements of IFRIC 20, expenditure on overburden removal at the production stage was capitalised in the amount of PLN 39 million. At the same time, in the

current reporting period, amortisation of the capitalised expenditure in the amount of PLN 28 million (PLN 155 million in the comparative period) and a write-down in the amount of PLN 137 million (PLN 1,045 million in the comparative period) were charged to costs. The capitalised overburden removal costs are presented under 'other property, plant and equipment.'

Capitalisation of changes in the rehabilitation provision

PGE Capital Group includes, in the value of property, plant and equipment, changes in the value of the rehabilitation provision related to overburden, the provision for rehabilitation of land after wind farms, and the provision for dismantling of property, plant and equipment. As at 31 December 2024, the net value of the capitalised portion of the rehabilitation provisions (after recognition of impairment and depreciation) amounted to PLN 130 million. In the comparative period, the net value of the capitalised portion of rehabilitation provisions amounted to PLN 341 million.

Useful lives of property, plant and equipment

Depreciation rates are determined based on the expected economic useful life of each component of property, plant and equipment and estimates of residual value. Capitalised major overhauls are depreciated over the period until the expected start of the next major overhaul.

Useful economic lives are reviewed at least once during the financial year.

The review of useful economic lives of property, plant and equipment conducted in 2024 resulted in a reduction in depreciation costs for the year 2024 in the total amount of approximately PLN 52 million.

Property, plant and equipment under operating lease

As at the reporting date of 31 December 2024, the value of property, plant and equipment under operating lease amounted to PLN 51 million (PLN 49 million in the comparative period).

	As at 31 December 2024	As at 31 December 2023
Land	21	21
Buildings and structures	28	26
Technical equipment	1	1
Other property, plant and equipment	1	1
NET VALUE	**51**	**49**

10. Intangible assets and goodwill

SIGNIFICANT ACCOUNTING PRINCIPLES

Intangible assets

The Group recognises as intangible assets identifiable non-monetary assets without physical substance, such as:

- acquired proprietary rights classified as non-current assets that are capable of being economically utilised and have a forecast useful life of more than one year, intended for use by the Group;
- development costs;
- goodwill, excluding self-generated goodwill;
- easements acquired for power lines and those received free of charge that do not meet the definition of a lease under IFRS 16;
- RPUL (right to perpetual usufruct) relating to mining pits, forefields and spoil heaps (excluded from the scope of IFRS 16);
- intangible assets not yet in use.

Initial recognition of intangible assets acquired in a separate transaction is at purchase price or cost of production (in the case of development work).

After initial recognition, intangible assets are measured at acquisition cost or production cost less amortisation and impairment write-downs.

The Group assesses whether the economic lifetime of an intangible asset is finite or indefinite and, if finite, estimates its duration based on output or another measure that forms the basis for the determination of the economic lifetime. The Group considers the economic lifetime of an intangible asset to be indefinite if, based on an analysis of relevant factors, there is no foreseeable limit to the period during which the asset will generate cash flows for the Group.

The amortisable amount of an intangible asset with a finite useful economic life is the cost of the asset, less its residual value. The residual value of an intangible asset is based on its recoverable value from disposal, determined with reference to current prices for similar assets that have reached the end of their useful life and operated under similar conditions to those in which the asset has been used.

The amortisation period and amortisation method are reviewed at least annually. Any changes arising from the review are accounted for as a change in estimates.

Intangible assets, both with indefinite useful lives and not yet in use, are subject to cyclical (at least annual) impairment testing.

Other intangible assets are tested for impairment only when indicators exist that suggest their carrying amount may not be recoverable. If such indications exist and the carrying amount exceeds the estimated recoverable amount, the asset's carrying amount – or that of the cash-generating unit (CGU) to which the asset belongs – is written down to its recoverable amount. The Group recognises impairment losses on intangible assets in the income statement under nature-of-cost expenses, and in the cost-accounting layout in line with the allocation of amortisation. This also applies to impairment losses on intangible assets not yet in use, prepayments for intangible assets, and CGU-level impairment.

The economic lifetimes adopted for individual groups of intangible assets are as follows:

Asset group	Average remaining amortisation period in years	Most common amortisation periods in years
Patents and licences	3	1 – 28
Costs of completed development	1	3 – 15
Other	10	1 – 25

	As at 31 December 2024	As at 31 December 2023
Costs of completed development	1	1
Goodwill	621	621
Customer relations	471	471
Software	369	414
Other licences and patents	19	10
Other intangible assets	208	191
IA not yet in use	249	244
NET VALUE OF INTANGIBLE ASSETS	**1,938**	**1,952**

Changes in IA by asset group

	Costs of completed development	Goodwill	Customer relations	Software	Other licences and patents	Other intangible assets	IA not yet in use	Total
GROSS BOOK VALUE								
AS AT 1 JANUARY 2024	**16**	**621**	**471**	**1,191**	**111**	**333**	**282**	**3,025**
CapEx	-	-	-	-	-	2	131	**133**
Settlement of IA not put into use	-	-	-	72	16	24	(112)	**-**
Disposal, sale	(1)	-	-	(93)	(5)	-	-	**(99)**
Transfer from PPE under construction	-	-	-	-	-	-	21	**21**
Other	-	-	-	(1)	-	4	-	**3**
AS AT 31 DECEMBER 2024	**15**	**621**	**471**	**1,169**	**122**	**363**	**322**	**3,083**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS								
AS AT 1 JANUARY 2024	**15**	**-**	**-**	**777**	**101**	**142**	**38**	**1,073**
Amortisation, liquidation	-	-	-	117	5	13	-	**135**
Impairment write-downs	-	-	-	-	1	-	34	**35**
Disposal, sale	(1)	-	-	(92)	(5)	-	-	**(98)**
Other	-	-	-	(2)	1	-	1	**-**
AS AT 31 DECEMBER 2024	**14**	**-**	**-**	**800**	**103**	**155**	**73**	**1,145**
NET VALUE AT 31 DECEMBER 2024	**1**	**621**	**471**	**369**	**19**	**208**	**249**	**1,938**

	Costs of completed development	Goodwill	Customer relations	Software	Other licences and patents	Other intangible assets	IA not yet in use	Total
GROSS BOOK VALUE								
AS AT 1 JANUARY 2023	**16**	**276**	**-**	**866**	**115**	**274**	**149**	**1,696**
CapEx	-	-	-	-	-	1	137	**138**
Settlement of IA not put into use	-	-	-	63	10	13	(86)	**-**
Disposal, sale	-	-	-	(5)	(12)	-	-	**(17)**
Change in the composition of the CG	-	345	471	267	-	40	82	**1,205**
Other	-	-	-	-	(2)	5	-	**3**
AS AT 31 DECEMBER 2023	**16**	**621**	**471**	**1,191**	**111**	**333**	**282**	**3,025**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS	**from**							
AS AT 1 JANUARY 2023	**15**	**-**	**-**	**687**	**110**	**123**	**35**	**970**
Amortisation, liquidation	-	-	-	94	4	17	-	**115**
Impairment write-downs	-	-	-	-	1	-	6	**7**
Disposal, sale	-	-	-	(5)	(12)	-	-	**(17)**
Other	-	-	-	1	(2)	2	(3)	**(2)**
AS AT 31 DECEMBER 2023	**15**	**-**	**-**	**777**	**101**	**142**	**38**	**1,073**
NET VALUE AT 31 DECEMBER 2023	**1**	**621**	**471**	**414**	**10**	**191**	**244**	**1,952**

Intangible assets not yet in use

The amount presented as intangible assets not yet in use as at 31 December 2024 primarily relates to IT system implementation projects within the PGE Capital Group.

Goodwill

As at the reporting date of 31 December 2024, goodwill has been allocated to the following segments:

- Railway Energy Services – PLN 345 million,
- District Heating – PLN 192 million,
- Renewables – PLN 84 million.

Customer relations

As at the reporting date, the value of customer relations amounts to PLN 471 million and was estimated using the Multi-period Excess Earnings Method, calculated as the discounted surplus of forecast traction trading results over the forecast trading results of the PGE CG as at the acquisition date. Customer relations are classified as an asset with an indefinite economic lifetime. As at 31 December 2024, customer relations were subject to impairment testing, which did not indicate the need to recognise any impairment write-down.

Amortisation periods of intangible assets

The review of the economic useful lives of intangible assets carried out in 2024 did not result in any material change in amortisation costs for the year 2024.

11. Rights to use assets

SIGNIFICANT ACCOUNTING PRINCIPLES

Under IFRS 16, an agreement is a lease agreement or contains a lease component if it transfers the right to control the use of an identified asset for a given period in return for consideration.

Lease contracts relating to the exploration for or use of lignite deposits – in particular, agreements for the establishment of mining usufruct rights and RPUL, lease contracts and similar land lease agreements covering mining excavations, mine forefields and spoil heaps – are excluded from the scope of IFRS 16. According to the Group's interpretation, contracts relating to the exploitation of lignite deposits fall outside the scope of IFRS 16.

The Group determines the lease term as the non-cancellable period for which the lessee has the right to use the underlying asset, together with:

- periods for which the lease may be extended if it can be assumed with reasonable certainty that the lessee will exercise this right; and
- periods during which the lease may be terminated if it can be assumed with reasonable certainty that the lessee will not exercise this right.

In determining the lease term and estimating the length of the irrevocable lease term, the Group applies the definition of an agreement and determines the term of an agreement's enforceability. A lease ceases to be enforceable when both the lessee and the lessor have the right to terminate the lease agreement without the other party's consent, with the consequence that a penalty is at most minor. The concept of a penalty includes all kinds of economic 'disadvantages' that create barriers to terminating an agreement.

If only the lessee has the right to terminate the lease agreement, this right is regarded as an option for the lessee to terminate the lease agreement that the entity takes into account in determining the lease term. If only the lessor has the right to terminate the lease agreement, the irrevocable lease term covers the period covered by the option to terminate the lease agreement.

The lease term begins at the commencement date, i.e. when the underlying asset is made available for use by the lessee, and includes any rent-free periods granted by the lessor to the lessee.

At the lease commencement date, the Group takes into account all material facts and circumstances which create an economic incentive for the lessee to exercise or not to exercise the option to extend the lease, to purchase the underlying asset or not to exercise the option to terminate the lease.

The interest rate implicit in the lease is the rate that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs incurred by the lessor.

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

The lessee recognises a right-of-use asset at the lease commencement date.

The Group, as a lessee, applies an exemption in respect of the recognition, measurement and presentation of the following:

- short-term leases, i.e. leases whose term is not longer than 12 months and which do not include a purchase option;
- leases for which the underlying asset is of low value and is not sub-leased. The Group recognises that the base asset has a low value (the value of a new asset regardless of the age of the leased asset) if it does not exceed the amount of PLN 18,000.

The Group, as a lessee, applies an exemption in respect of the recognition, measurement and presentation of the following:

- short-term leases, i.e. leases whose term is not longer than 12 months and which do not include a purchase option;
- leases for which the underlying asset is of low value and is not sub-leased. The Group recognises that the base asset has a low value (the value of a new asset regardless of the age of the leased asset) if it does not exceed the amount of PLN 18,000.

The Group elects to apply the short-term lease exemption on a class-by-class basis for underlying assets to which the right of use relates. It applies this exemption to all new contracts entered into. The low-value lease exemption is applied on a lease-by-lease basis.

At the commencement date, the lessee measures an asset constituting the right to use an asset at cost. The cost of the right-of-use asset should include:

- the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee for dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the asset to the condition required by the lease terms – unless those costs are incurred to produce inventory. The lessee assumes the obligation to cover these costs either at the commencement date or as a result of using the underlying asset over a certain period.

After the commencement date, the right-of-use asset is measured using the cost model. The lessee measures the right-of-use asset at cost:

- less total depreciation (amortisation) and total impairment write-downs. Depreciation is charged throughout the lease term, from the moment an asset has been made available for use. No depreciation is made on the right to use an asset classified as fixed assets held for sale.
- adjusted for the revaluation of the liability (e.g. due to a change in lease payments).

Economic lifetimes adopted for individual groups of right-of-use assets:

Asset group	Average remaining amortisation period in years	Most common amortisation periods in years
Land lease and tenancy agreements	11	1-70
RPUL	41	5-90
Easement agreements	24	17-50
Buildings and structures	7	1-73
Other	2	1-50

	As at 31 December 2024	As at 31 December 2023
Land lease and tenancy agreements	402	350
RPUL	1.055	1.080
Easement agreements	31	29
Buildings and structures	337	311
Other	68	82
NET VALUE OF RIGHTS TO USE ASSETS	**1,893**	**1,852**

Changes to rights to use assets by asset group

	Land lease and tenancy	RPUL	Easement	Buildings and structures	Other	Total
GROSS BOOK VALUE						
AS AT 1 JANUARY 2024	452	1,187	36	409	104	2,188
Disposal, sale	(5)	(3)	-	(6)	(4)	(18)
Changes, updates to liabilities, contract modifications	78	(12)	-	29	(1)	94
Contracts concluded in the current period, of which:	10	12	3	46	16	87
Increases in RTUA (amounts paid)	-	*2*	*3*	*0*	*6*	*11*
Increases in RTUA (discounted amounts)	*10*	*10*	-	*46*	*10*	*76*
Other	8	4	-	1	(4)	9
AS AT 31 DECEMBER 2024	**543**	**1,188**	**39**	**479**	**111**	**2,360**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS						
AS AT 1 JANUARY 2024	102	107	7	98	22	336
Depreciation	37	26	1	48	30	142
Impairment write-downs	-	-	-	1	-	1
Disposal, sale	2	-	-	(5)	(4)	(7)
Other	-	-	-	-	(5)	(5)
AS AT 31 DECEMBER 2024	**141**	**133**	**8**	**142**	**43**	**467**
NET VALUE AT 31 DECEMBER 2024	**402**	**1,055**	**31**	**337**	**68**	**1,893**

	Land lease and tenancy	RPUL	Easement	Buildings and structures	Other	Total
GROSS BOOK VALUE						
AS AT 1 JANUARY 2023	344	966	35	154	30	1,529
Disposal, sale	(2)	(3)	-	(4)	(2)	(11)
Changes, updates to liabilities, contract modifications	111	23	-	25	2	161
Contracts concluded in the current period, of which:	3	33	3	42	15	96
Increases in RTUA (amounts paid)	-	*18*	*3*	*3*	*6*	*30*
Increases in RTUA (discounted amounts)	*3*	*15*	-	*39*	*9*	*66*
Change in the composition of the CG	6	165	-	198	56	425
Other	(10)	3	(2)	(6)	3	(12)
AS AT 31 DECEMBER 2023	**452**	**1,187**	**36**	**409**	**104**	**2,188**
DEPRECIATION AND IMPAIRMENT WRITE-DOWNS						
AS AT 1 JANUARY 2023	71	83	6	57	1	218
Depreciation	30	24	1	41	24	120
Impairment write-downs	-	-	-	1	-	1
Disposal, sale	-	-	-	(1)	(2)	(3)
Other	1	-	-	-	(1)	-
AS AT 31 DECEMBER 2023	**102**	**107**	**7**	**98**	**22**	**336**
NET VALUE AT 31 DECEMBER 2023	**350**	**1,080**	**29**	**311**	**82**	**1,852**

12. Shares accounted for using the equity method

	As at 31 December 2024	As at 31 December 2023
Polimex - Mostostal S.A., Warsaw	86	179
Energopomiar sp. z o.o., Gliwice	11	11
PGE Soleo Kleszczów sp. z o.o., Kleszczów	28	28
PGE PAK Energia Jądrowa S.A., Konin	10	4
Elester sp. z o.o., Łódź	236	231
SHARES ACCOUNTED FOR USING THE EQUITY METHOD	**371**	**453**

	Polimex Mostostal	PEC Bogatynia	Energopo-miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
VOTING RIGHTS	**16.33%**	**34.93%**	**49.79%**	**50.00%**	**50.00%**	**89.96%**
AS AT 31 DECEMBER 2024						
Current assets	2,169	11	27	13	7	105
Non-current assets	889	21	23	75	15	11
Current liabilities	2,288	7	24	13	2	22
Non-current liabilities	192	5	5	20	-	14
NET ASSETS	**578**	**20**	**21**	**55**	**20**	**80**
Share of net assets	**94**	**7**	**11**	**28**	**10**	**72**
Fair value adjustment at the time of acquisition	16	-	-	-	-	164
Impairment loss	(24)	(7)	-	-	-	-
SHARES ACCOUNTED FOR USING THE EQUITY METHOD	**86**	**-**	**11**	**28**	**10**	**236**

	Polimex Mostostal	PEC Bogatynia	Energopo-miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
VOTING RIGHTS	**16.22%**	**34.93%**	**49.79%**	**50.00%**	**50.00%**	**89.96%**
AS AT 31 DECEMBER 2023						
Current assets	1,761	9	25	44	6	99
Non-current assets	689	20	21	11	3	12
Current liabilities	1,197	7	22	-	2	25
Non-current liabilities	245	2	3	-	-	11
NET ASSETS	**1,008**	**20**	**21**	**55**	**7**	**75**
Share of net assets	**163**	**7**	**11**	**28**	**4**	**67**
Fair value adjustment at the time of acquisition	16	-	-	-	-	164
Impairment loss	-	(7)	-	-	-	-
SHARES ACCOUNTED FOR USING THE EQUITY METHOD	**179**	**-**	**11**	**28**	**4**	**231**

13. Deferred tax in the statement of financial position

SIGNIFICANT ACCOUNTING PRINCIPLES

Deferred income tax

In connection with temporary differences between the value of assets and liabilities disclosed in the account books and their tax value and tax loss recoverable in the future, the Group establishes the amounts of deferred income tax liabilities and assets.

A deferred income tax liability is recognised for all taxable temporary differences.

A deferred income tax asset is recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of each deferred tax asset and liability is reviewed at each reporting date. Deferred tax assets and liabilities are presented in full as non-current. The Group offsets deferred tax assets and liabilities at the level of the tax capital group and at the level of individual companies within the PGE Capital Group.

13.1 Deferred income tax assets

	As at 31 December 2024	As at 31 December 2023
Difference between tax and current book values of property, plant and equipment	473	3,312
Provision for rehabilitation expenses	85	85
Provision for employee benefits	548	822
Provision for the purchase of CO_2 emission allowances	2,519	3,965
Difference between tax and current book values of liabilities	596	693
Difference between tax and current book value of rights of use	285	273
Tax losses	548	1,125
Other provisions	242	336
Difference between tax and current book values of financial assets	268	348
Compensation for termination of Long-Term Contracts	92	218
Difference between tax and current book values of inventories	49	100
Infrastructure and connection fees received free of charge	125	109
Liabilities from recognised compensation – Electricity Prices Act	1	17
Other	18	40
DEFERRED INCOME TAX ASSETS	**5,849**	**11,443**

Deferred tax assets have not been recognised in respect of the following items, as it is not probable that taxable profit will be available against which the deferred tax asset can be partially or fully realised.

Unrecognised deferred income tax assets

	Year ended 31 December 2024	Year ended 31 December 2023
Difference between tax and book values of property, plant and equipment	1,576	-
Provision for rehabilitation expenses	1,000	1,070
Provision for the purchase of CO_2 emission allowances	590	-
Tax losses	516	437
Provision for employee benefits	246	10
Other	-	129
AS AT 31 DECEMBER	**3,928**	**1,646**

At the end of the reporting period, PGE GiEK carried out a review of the carrying amount of deferred income tax assets. In performing this review, assumptions regarding future taxable profits were adopted that are consistent with those used in impairment tests for property, plant and equipment. The review found that the projected future taxable profits would not allow for the full recovery of all deferred income tax asset components. As a result, in the statement of financial position as at 31 December 2024, in addition to the deferred income tax asset previously not recognised in respect of rehabilitation provisions, the Group also did not recognise part of the deferred tax asset in respect of the difference between the tax and book amounts of property, plant and equipment, the provision for the purchase of CO_2 emission allowances, and the provision for employee benefits. Additionally, in both the current and comparative reporting periods, PGE Obrót did not recognise a deferred tax asset in respect of the tax loss.

Change in deferred income tax – assets

	Year ended 31 December 2024	Year ended 31 December 2023
AS AT 1 JANUARY	**11,443**	**9,268**
Changes in correspondence with profit or loss	(3,031)	1,834
Changes in correspondence with other comprehensive income	87	155
Changes in the composition of the CG	-	204
Reclassification within deferred tax assets and liabilities	(2,650)	-
Other changes	-	(18)
AS AT 31 DECEMBER	**5,849**	**11,443**

Changes in correspondence with other comprehensive income relate to a change in deferred tax on the part of the provision for employee benefits relating to post-employment benefits. The other changes in each item were recognised in profit or loss.

13.2 Deferred tax liabilities

	As at 31 December 2024	As at 31 December 2023
Difference between tax and current book values of property, plant and equipment	2,772	5,070
CO_2 emission allowances	-	1,979
Difference between tax and current book values of financial assets	743	805
Difference between tax and current book values of lease liabilities	258	342
Receivables from recognised compensation – Electricity Prices Act	199	288
Receivables from recognised compensation in accordance with the Act on the Preferential Purchase of Solid Fuel	-	84
Difference between tax and current book values of financial liabilities	51	22
Other	143	134
DEFERRED TAX LIABILITIES	**4,166**	**8,724**

According to an individual tax ruling obtained by PGE GiEK S.A., starting from 2024, expenditures on the purchase of CO_2 emission allowances to cover its own emissions for the year 2024 and subsequent years qualify as tax-deductible costs directly related to revenues and are recognised as tax-deductible at the time of their surrender.

Change in deferred income tax – liabilities

	Year ended 31 December 2024	Year ended 31 December 2023
AS AT 1 JANUARY	**8,724**	**7,087**
Changes in correspondence with profit or loss	(2,164)	1,393
Changes in correspondence with other comprehensive income	259	(259)
Change in the composition of the CG	-	524
Reclassification within deferred tax assets and liabilities	(2,650)	-
Other changes	(3)	(21)
AS AT 31 DECEMBER	**4,166**	**8,724**

Changes in relation to other comprehensive income concern changes in deferred tax on the measurement of hedging instruments. The other changes in each item were recognised in profit or loss.

The Group does not recognise a deferred tax liability on positive temporary differences related to investments in subsidiaries and associates for the following reasons:

- as the parent company, PGE S.A. is able to control the timing of the reversal of temporary differences and
- it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax of the group after offsetting assets and liabilities in the individual companies

	Year ended 31 December 2024	Year ended 31 December 2023
Deferred tax assets	3,153	3,774
Income tax liabilities	(1,470)	(1,055)

14. Inventories

SIGNIFICANT ACCOUNTING PRINCIPLES

Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories include:

- materials,
- finished goods,
- semi-finished goods and work in progress,
- energy origin rights – acquired, generated or received rights relating to energy produced from renewable energy sources, rights relating to energy produced in cogeneration, and rights to certificates of energy efficiency,
- goods (in particular, carbon emission allowances intended for resale).

Inventories (except for emission allowances acquired for trading purposes) are measured at the lower of purchase or production cost and net realisable value.

Allowances acquired for trading purposes, to benefit from fluctuations in market prices, are measured at fair value less costs to sell.

Inventory issues are measured using the following principles:

- materials and goods (excluding CO_2 emission allowances and rights) – FIFO method,
- CO_2 emission allowances – specific identification,
- rights – specific identification.

The purchase price or production cost of inventories applied at the reporting date must not exceed the net realisable value of the respective items. Any impairment write-down is recognised under operating expenses. If the value previously written down is subsequently recovered in whole or in part, the value of the respective item is adjusted accordingly by reversing the impairment.

Companies for which obsolete or redundant inventories represent a significant position may, based on a dedicated internal instruction, apply more detailed rules for valuation and the recognition of impairment write-downs. Write-downs of obsolete and redundant inventories may be recognised under other operating activities.

	As at 31 December 2024			As at 31 December 2023		
	Initial value	Revaluation	Net book value	Initial value	Revaluation	Net book value
Hard coal	1,271	-	1,271	2,022	-	2,022
Maintenance and operating materials	766	(52)	714	820	(22)	798
Heavy fuel oil (mazut)	48	-	48	46	-	46
Other materials	187	(13)	174	181	(16)	165
TOTAL MATERIALS	**2,272**	**(65)**	**2,207**	**3,069**	**(38)**	**3,031**
Green energy origin rights	227	(5)	222	305	(37)	268
Other rights	14	-	14	15	-	15
ENERGY ORIGIN CERTIFICATES	**241**	**(5)**	**236**	**320**	**(37)**	**283**
CO_2 emission allowances	-	-	-	1	-	1
Hard coal	462	(153)	309	773	(430)	343
Other goods	30	(2)	28	6	(1)	5
TOTAL GOODS	**492**	**(155)**	**337**	**780**	**(431)**	**349**
OTHER INVENTORIES	**111**	**(2)**	**109**	**110**	**-**	**110**
TOTAL INVENTORIES	**3,116**	**(227)**	**2,889**	**4,279**	**(506)**	**3,773**

	Year ended 31 December 2024	Year ended 31 December 2023
INVENTORY WRITE-DOWN AS AT 1 JANUARY	**(506)**	**(309)**
Creation of write-down	(52)	(792)
Reversal of write-down	16	5
Utilisation of write-down	253	574
Measurement at fair value	62	95
Other changes	-	(79)
INVENTORY WRITE-DOWN AS AT 31 DECEMBER	**(227)**	**(506)**

15. CO_2 emission allowances for own use

SIGNIFICANT ACCOUNTING PRINCIPLES

CO_2 emission allowances for own use

The PGE Capital Group emits carbon dioxide into the atmosphere as part of its operations. The demand for CO_2 emission allowances is partly covered by allowances allocated free of charge, while the remaining volume must be purchased by the PGE Capital Group on the market. In order to meet the requirements of the Group's generation units, external transactions are concluded for the purchase of greenhouse gas emission allowances. CO_2 emission allowances designated for the own needs of generation units are recognised under a separate item in the statement of financial position. EUA allowances received free of charge are presented in the statement of financial position at their nominal value, i.e. at zero value. Purchased emission allowances are recognised at purchase cost. The disposal of CO_2 emission allowances purchased for own use is measured using the specific identification method.

Since the PGE Capital Group enters into CO_2 emission allowance purchase transactions at the time of contracting sales, each purchase is allocated to a specific pool linked to contracted sales for a given year. The value of allowances allocated to the pool for the given reporting period is reflected in the value of the provision for CO_2 emission costs for that period.

Forward transactions executed to hedge the purchase of CO_2 emission allowances for surrender purposes are subject to own use exemption and are not recognised in the statement of financial position.

EUA	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Amount (million Mg)	**0.2**	**26.6**	**0.1**	**25.5**
Value (PLN million)	**69**	**10,844**	**20**	**10,517**

EUA	Amount (million Mg)	Value (PLN million)
AS AT 1 JANUARY 2023	**20.2**	**4,868**
Purchase/Sale	80.8	28,491
Allocated free of charge	0.6	-
Surrendered	(76.0)	(22,822)
AS AT 31 DECEMBER 2023	**25.6**	**10,537**
Purchase/Sale	59.5	24,830
Allocated free of charge	0.6	-
Surrendered	(58.9)	(24,454)
AS AT 31 DECEMBER 2024	**26.8**	**10,913**

Additional information related to the change in the date of surrender of CO_2 emission allowances is described in Note 20.2 of these financial statements.

16. Other current and non-current assets

SIGNIFICANT ACCOUNTING PRINCIPLES

Other assets (including prepaid expenses)

The Group recognises assets as prepayments if the following conditions are met:

- they result from past events– expenses incurred for operational purposes of the entities,
- their value can be assessed reliably,
- they relate to future reporting periods.

Prepayments are measured at the amount of incurred and reliably determined expenses related to future periods and future economic benefits.

Other assets include, in particular, receivables arising from settlements with public authorities, prepayments for supplies and services (including prepayments for property, plant and equipment under construction), and dividend receivables.

16.1 Other non-current assets

	As at 31 December 2024	As at 31 December 2023
Prepayments for property, plant and equipment under construction	954	985
Customer acquisition costs	88	102
Prepayments for supplies	-	2
Other non-current assets	202	58
TOTAL OTHER ASSETS	**1,244**	**1,147**

Prepayments for property, plant and equipment under construction relate primarily to the construction of:

- the offshore wind farms Baltica 2 (PLN 379 million) and Baltica 1 (PLN 21 million),
- a combined cycle gas turbine unit by PGE Nowy Rybnik sp. z o.o. (PLN 194 million),
- the modernisation of the Porąbka-Żar PSPP by PGE EO S.A. (PLN 183 million).

In the current reporting period, other non-current assets include, among others, insurance settlements over time and financing acquisition costs, incurred mainly in the Renewables segment.

16.2 Other current assets

	As at 31 December 2024	As at * 31 December 2023
COSTS DEFERRED OVER TIME		
Customer acquisition costs	82	79
Long-term contracts	48	37
Property and liability insurance	27	28
IT services	26	24
CSBF	11	12
Logistics costs related to coal procurement	14	9
Other costs deferred over time	23	13
OTHER CURRENT ASSETS		
Receivables from accrued VAT	737	2,474
Receivables from the settlement of contributions to the PDPF	199	-
Other tax receivables		
Prepayments for supplies	8	464
Excise duty receivables	7	7
Other current assets	23	34
TOTAL OTHER ASSETS	**1,205**	**3,181**

SIGNIFICANT ACCOUNTING PRINCIPLES

Customer acquisition costs

Costs incurred prior to the conclusion of a contract that are related to the execution of its subject matter are classified as other assets and recognised as prepaid expenses, provided it is probable that these costs will be recovered in the future through revenue obtained from the customer.

As at 31 December 2024 and as at 31 December 2023, the Group recognised the following costs to be deferred over time.

	Year ended 31 December 2024	Year ended 31 December 2023
AS AT 1 JANUARY	**181**	**162**
Costs to obtain a contract – capitalised	74	81
Amortisation and impairment	(85)	(62)
AS AT 31 DECEMBER	**170**	**181**
Short-term	82	79
Long-term	88	102

Customer acquisition costs relate, inter alia, to the co-financing by PGE Energia Ciepła S.A. of investments in the development of district heating networks, as well as agency commissions for customer acquisition/retention in PGE Obrót S.A.

The asset is amortised systematically, taking into account the period during which the related goods or services are transferred to the customer.

17. Cash and cash equivalents

SIGNIFICANT ACCOUNTING PRINCIPLES

Cash and cash equivalents

Cash comprises cash in hand and deposits payable on demand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to specified amounts of cash and subject to an insignificant risk of change in value.

Short-term deposits are made for various periods, typically ranging from one day to one month, depending on the Group's current cash requirements.

The balance of cash and cash equivalents consists of the following items:

	As at 31 December 2024	As at 31 December 2023
Cash at bank and in hand	1,830	2,760
Overnight deposits	60	103
Short-term deposits	693	236
Proceeds from share issue	508	1,309
Funds held in VAT accounts	1,272	1,625
TOTAL	**4,363**	**6,033**
Available credit limits	11,679	5,692
including credit limits on current accounts	*3,254*	*2,272*

A detailed description of credit agreements is provided in Note 24.1.3 to these financial statements.

Cash and cash equivalents include restricted funds in the amount of PLN 207 million (PLN 419 million in the comparative period) held in client accounts of PGE Dom Maklerski S.A. as collateral for settlements with IRGiT.

18. Social assets and liabilities related to the Company Social Benefits Fund (CSBF)

SIGNIFICANT ACCOUNTING PRINCIPLES

Company Social Benefits Fund and Other Special Funds

The Act of 4 March 1994 on the Company Social Benefits Fund, as amended, stipulates that employers employing more than 50 employees (calculated as full-time equivalents) are required to establish a Company Social Benefits Fund (CSBF). Entities within the Group establish such a fund and make periodic contributions. The purpose of the Fund is to subsidise the Group's social activities, loans granted to employees, and other social costs. Contributions to the Company Social Benefits Fund during the year are recognised as expenses for the period to which they relate.

The Group offsets the liabilities and assets of the Company Social Benefits Fund.

	As at 31 December 2024	As at 31 December 2023
Loans granted to employees	88	85
Cash	69	58
Other assets	3	2
Liabilities of the Fund	(148)	(132)
BALANCE AFTER OFFSETTING	**12**	**13**
Fund contribution during the period	**305**	**293**

Additionally, as described in Note 21, entities belonging to the PGE Capital Group recognise a provision for post-employment benefits (CSBF).

19. Equity

SIGNIFICANT ACCOUNTING PRINCIPLES

Equity

Equity is recognised at par value, divided into its types and in accordance with the legal regulations and the provisions of the Company Statutes.

In the consolidated financial statements, supplementary and reserve capital are presented as the capital disclosed in the separate financial statements of the parent company.

Revaluation reserve is determined at the amount of the fair value of hedging instruments in the effective portion of the hedge and the amount of the revaluation of financial assets classified as financial assets measured at fair value through other comprehensive income.

Retained earnings/Accumulated losses from previous years include, among others, undistributed financial results from previous years and the current period, reserve and supplementary capital of subsidiaries created after the acquisition date, the difference from the revaluation of property, plant and equipment to fair value on the date of transition to IFRS, actuarial gains and losses from defined benefit plans, the difference from the measurement at amortised cost of bonds issued under non-market conditions, and adjustments resulting from changes in accounting policy and the implementation of new IFRS.

In the consolidated financial statements of the PGE Group, non-controlling interests are presented as a separate equity item.

The objective of equity management is to ensure a secure and effective financing structure that takes into account operational risk, investment expenditures, as well as the interests of shareholders and debt investors. Equity is managed at the Group level.

In accordance with common practice, the Group monitors the net debt to EBITDA ratios at the PGE Group level. Net debt is understood as short- and long-term financial debt (interest-bearing credits and loans, bonds and other debt instruments as well as lease, as well as reverse and recourse factoring liabilities), less cash and cash equivalents and short-term deposits. Restricted cash is not included in the calculation of net debt.

The Group's aim is to maintain its investment grade credit ratings. Given the on-going investment programme, financial leverage is expected to increase in the coming years. The net consolidated debt to consolidated EBITDA ratio is a central element of the Group's financial forecasts and plans.

	Year ended 31 December 2024	Year ended 31 December 2023
Net debt / EBITDA	0.90x	1.11x
Net debt / Equity	0.24x	0.23x

19.1 Share capital

	As at 31 December 2024	As at 31 December 2023
1,470,576,500 Series A ordinary shares with a par value of PLN 8.55 each	12,574	12,574
259,513,500 Series B ordinary shares with a par value of PLN 8.55 each	2,219	2,219
73,228,888 Series C ordinary shares with a par value of PLN 8.55 each	626	626
66,441,941 Series D ordinary shares with a par value of PLN 8.55 each	568	568
373,952,165 Series E ordinary shares with a par value of PLN 8.55 each	3,197	3,197
TOTAL SHARE CAPITAL	**19,184**	**19,184**

All of the Company's shares are paid up.

After the reporting date and before the date on which these financial statements were prepared, there had been no changes in the value of the Company's share capital.

Shareholder rights – the State Treasury's rights related to the Company's operations

The Company is a member of the PGE Capital Group, with respect to which the State Treasury holds special rights as long as it remains its shareholder.

The State Treasury's special rights which may be exercised with respect to the companies belonging to the PGE Capital Group are specified in the Act of 18 March 2010 on special rights of a minister competent for energy affairs and their exercise with respect to certain capital companies or capital groups conducting business activities in the electricity, petrol, and gaseous fuels sectors (consolidated text: [*Journal of Laws*] of 2020, item 2173, as amended). The Act specifies special rights held by the minister competent for state assets with respect to capital companies or capital groups conducting business activities in the electricity, petrol, and gaseous fuels sectors whose assets are disclosed in the standardised specification of facilities, installations, equipment and services included in the composition of the critical infrastructure.

On the basis of the provisions in question, the minister responsible for state assets may object to a resolution adopted by the Management Board or any other legal action carried out by the Management Board, the object of which is the disposal of an asset posing a real threat to the functioning, continuity of operation and integrity of critical infrastructure. An objection could also be filed against the Company governing body's resolutions concerning the following issues:

- the dissolution of the Company,
- changes in the use of, or refusal to use, an asset constituting a component of the critical infrastructure,
- changes in the objects of the Company,
- the disposal or lease of an enterprise or its organised part, or the establishment of a limited property right thereon,
- the adoption of a material and financial plan, a capital expenditures plan, or a long-term strategic plan,
- the transfer of the Company's registered office abroad,

if the implementation of such a resolution could constitute a real threat to the functioning, operational continuity, and integrity of the critical infrastructure. An objection by the minister in charge of state assets is expressed in the form of an administrative decision, after consultation with the minister in charge of energy or the minister in charge of the management of energy resources, respectively.

19.2 Supplementary capital

Supplementary capital comprises mainly statutory contributions from profits generated in the previous financial years as well as from surpluses from the distribution of profits over the statutorily required contributions and from mergers of PGE S.A. with its subsidiaries.

According to the requirements of the Commercial Companies Code, entities with the status of joint-stock companies are obliged to establish supplementary capital to finance losses. Each year this supplementary capital is increased with at least 8% of the Company's profit for a given financial year as shown in its separate financial statements until this capital has reached the amount of at least one third of the Company's share capital. Supplementary capital equal to one third of the share capital may be used only to finance losses disclosed in an entity's standalone financial statements and may not be distributed for other purposes. The use of supplementary capital and reserve capital is determined by the General Meeting.

On 31 December 2024, supplementary capital subject to distribution among shareholders amounted to PLN 15,857 million and PLN 21,751 million on 31 December 2023.

19.3 Hedging reserve

	Year ended 31 December 2024	Year ended 31 December 2023
AS AT 1 JANUARY	**(1,095)**	**(32)**
Change in hedging reserve:	**685**	**(1,313)**
Measurement of hedging instruments, including:	**689**	**(1,325)**
Recognition of the effective portion of change in fair value of hedging financial instruments in the part considered as effective hedge	*673*	*(1,396)*
Accrued interest on the derivative transferred from the hedging reserve and recognised in interest expenses	*1*	*25*
Currency revaluation of CCIRS transaction transferred from hedging reserve and recognised in foreign exchange gains/losses	*11*	*49*
Ineffective portion of the change in the fair value of hedging transactions presented in the result	*4*	*(3)*
Measurement of other financial instruments	**(4)**	**12**
Deferred tax	**(130)**	**250**
AS AT 31 DECEMBER	**(540)**	**(1,095)**

Hedging reserve primarily comprises the measurement resulting from the implementation of cash flow hedge accounting.

19.4 Foreign exchange differences

Foreign currency exchange differences related to a subsidiary reflect the impact of translating the financial statements of PGE Sweden AB (publ) into PLN as part of the consolidation procedures.

19.5 Undistributed financial result and dividend payment restrictions

Non-distributable retained profits are amounts which may not be paid out in the form of dividend.

	As at 31 December 2024	As at 31 December 2023
Amounts included under retained earnings not subject to distribution by the parent company:		
Retained earnings of subsidiaries attributable to shareholders of the parent company, including consolidation adjustments	(1,220)	6,574
Amount of profit/(loss) recognised by the parent company in retained earnings through other comprehensive income	(39)	(40)
Net profit/(loss) of the parent company	4,836	(5,894)
TOTAL RETAINED EARNINGS REPORTED IN THE STATEMENT OF FINANCIAL POSITION	**3,577**	**640**

Dividend payment restrictions are described in Note 19.2 to these financial statements. As at 31 December 2024 there were no other limitations concerning the payment of dividend.

19.6 Equity attributable to non-controlling interests

As at 31 December 2024, equity attributable to non-controlling interests mainly relates to the non-controlling shareholders of KOGENERACJA S.A.

The changes in equity attributable to non-controlling interests during the reporting periods are presented below.

	As at 31 December 2024	As at 31 December 2023
AS AT 1 JANUARY	**981**	**845**
Share in net profit of subsidiaries	75	110
Share in actuarial gains and losses	(1)	(1)
Capital increase by shareholders	-	28
Dividends declared by subsidiaries	(1)	(2)
Acquisition of non-controlling interests by the Capital Group	4	2
Other	-	(1)
AS AT 31 DECEMBER	**1,058**	**981**

Of the total amount of equity attributable to non-controlling interests, 69% is represented by the equity of the company KOGENERACJA. Summarised information regarding this subsidiary is presented below.

	KOGENERACJA S.A.
VOTING RIGHTS	**58.07%**
AS AT 31 DECEMBER 2024*	
Current assets	741
Non-current assets	2,502
Current liabilities	1,000
Non-current liabilities	538
Equity	1,705
Revenue	1,567
Profit from continuing operations	(18)
Dividends approved	-

**Data differs from statutory data due to consolidation procedures*

19.7 Earnings/(loss) per share

SIGNIFICANT ACCOUNTING PRINCIPLES

Earnings/(loss) per share

For each period earnings/(loss) per share are calculated by dividing the net profit or loss attributable to equity holders of the parent company for the period in question by the weighted average number of shares outstanding in that period.

Diluted earnings/(loss) per share is the profit per share taking into account the existence of dilutive potential ordinary shares.

During the current and comparative reporting periods there was no dilutive effect on net earnings /(loss) per share.

	Year ended 31 December 2024	Year ended 31 December 2023
NET PROFIT/(LOSS) ATTRIBUTABLE TO	**(3,088)**	**(4,902)**
shareholders of the parent company	(3,163)	(5,012)
non-controlling interests	75	110
NET PROFIT/(LOSS) ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES, APPLIED TO CALCULATE EARNINGS PER SHARE	**(3,163)**	**(5,012)**
Number of ordinary shares at the beginning of the reporting period	2,243,712,994	2,243,712,994
Number of ordinary shares at the end of the reporting period	2,243,712,994	2,243,712,994
WEIGHTED AVERAGE NUMBER OF OUTSTANDING ORDINARY SHARES USED TO CALCULATE EARNINGS/(LOSS) PER SHARE	**2,243,712,994**	**2,243,712,994**
NET PROFIT/(LOSS) AND DILUTED NET PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY (IN PLN)	**(1,41)**	**(2,23)**

19.8 Dividends paid and proposed

In the reporting and comparative periods, the Company did not distribute dividends.

20. Provisions

SIGNIFICANT ACCOUNTING PRINCIPLES

Provisions

The Group establishes provisions when a Group company has a present obligation (legal or constructive) resulting from past events, it is probable that the settlement of the obligation will require an outflow of economic benefits, and a reliable estimate of the amount of the obligation can be made.

If the consequence of changes in time value of money is significant, the amount of a provision corresponds to the current value of expenditures expected to be necessary to meet such a liability. The discount rate is determined before taxation, i.e. the discount rate reflect the current market assessment of the time value of money and the risk related specifically to a given liability. The discount rate is not affected by the risk used to adjust the estimates of future cash flows.

The reversal of the discount is recognised as a financial expense.

Provisions for post-employment benefits and jubilee rewards

Depending on the entity, employees of the Group's companies are entitled to the following post-employment benefits:
- retirement and disability severance payments – paid as a one-off at the time of retirement or transition to disability pension,
- death benefits,
- a cash equivalent arising from the employee tariff for employees of the power industry,
- coal allowances issued in a specified amount in kind or paid in the form of a cash equivalent,
- benefits from the Company Social Benefits Fund (CSBF),
- medical care.

Employees of the Group's companies are also entitled to jubilee awards, which are granted upon completion of a specified number of years of service. The amount of a jubilee award depends on the employee's length of service and average remuneration.
The Group recognises a provision for future liabilities arising from post-employment benefits and jubilee awards in order to allocate costs to the periods to which they relate. The provision is recognised in operating expenses in amounts reflecting the entitlement to future benefits acquired by current employees. The present value of these obligations is calculated by an independent actuary.
Actuarial gains and losses resulting from changes in actuarial assumptions (including changes in the discount rate) and ex-post actuarial adjustments are recognised in other comprehensive income in the case of post-employment benefits, and in the operating expenses of the current period in the case of jubilee awards.

Provision for rehabilitation expenses

Mines belonging to the Group recognise provisions for the rehabilitation of land following the cessation of its exploitation. The amount of the provision is determined based on the estimated cost of carrying out rehabilitation works and managing the final excavation areas. This cost is allocated between the part related to the extracted overburden and the part related to the extracted coal. The provision is established:

• for the portion related to the extracted coal: in proportion to the ratio of the volume of coal extracted as at the reporting date to the total planned volume of coal to be extracted from the deposit over its lifetime;

• for the portion related to the extracted overburden: in proportion to the ratio of the excavation volume related to the overburden as at the reporting date to the planned total excavation volume related to the overburden at the end of the exploitation period.

The provision is updated in the event of changes to the estimated rehabilitation timeframe, changes in the estimated expenditure required for rehabilitation, or changes in the discount rate. Estimating the rehabilitation provision requires the adoption of technical and geological, environmental, legal and tax assumptions, as well as the schedule, scope and cost levels of the rehabilitation process. Changes in these assumptions affect the value of the rehabilitation provision, the capitalised rehabilitation costs included in property, plant and equipment, and the statement of comprehensive income.

For the rehabilitation of ash landfills (by-products of electricity generation), the cost of the provision is recognised in operating expenses in proportion to the degree of landfill utilisation.

A provision for the rehabilitation of land after the construction of wind farms is recognised upon the commencement of operation of the farm, in the amount of the present value of the estimated costs of dismantling and removal of any residual equipment, structures and buildings, and restoring the land to a condition as close as possible to that before the construction.

Estimates of the expected rehabilitation costs are updated at least once every five years; however, the provision is verified annually based on current assumptions regarding the inflation rate, discount rate, and, as applicable, the amount of coal extracted or degree of landfill utilisation.

The increase in the provision relating to a given year is recognised either in operating expenses or as part of the initial value of fixed assets. The effect of discount reversal is recognised in finance costs. Changes in the valuation of provisions resulting from changes in assumptions (e.g. macroeconomic factors, method of rehabilitation, timing, etc.) are recognised:

• for provisions recognised as part of the production cost of a fixed asset: as an addition to or deduction from the purchase price or production cost of the respective asset, provided that the amount deducted does not exceed the carrying amount of the asset;

• in other operating costs or other operating income – in other cases.

Provision for shortfall of greenhouse gas emission allowances

Entities of the PGE Capital Group recognise a provision for liabilities relating to CO_2 emissions with respect to the shortfall in emission allowances allocated free of charge. The provision is created in the amount of the best estimate of the expenditure necessary to fulfil the present obligation as at the reporting date. The estimate of the expenditure required to meet the obligation to surrender CO_2 emission allowances is based on the specific identification method, taking into account the allocation of both free and purchased allowances to a given year.

The cost of the provision created is presented in the statement of comprehensive income under operating activities, and recognised as cost of sales in the functional format and under taxes and charges in the nature of expense format.

Provision for the value of property rights intended for redemption

• The provision is recognised based on the required percentage share of renewable energy and energy produced in cogeneration units in the total electricity sales to end customers, and the volume of sales to end users. Up to the amount of property rights intended for redemption that are already held, the provision is recognised at the value of those rights. The portion of the provision not covered by property rights is measured as the best estimate of the cost required to meet the future obligation to redeem the rights. In estimating this, factors such as the substitute fee and the market price are taken into consideration. The cost of the provision is recognised in selling expenses.

The carrying amount of provisions is as follows:

	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Employee benefits	3,046	387	3,329	372
Provision for rehabilitation expenses	6,007	8	6,360	10
Provision for shortage of CO_2 emission allowances	-	17,098	-	21,211
Provision for the value of rights intended for redemption	-	454	-	526
Onerous contracts	-	161	-	835
Other provisions	56	367	57	309
TOTAL PROVISIONS	**9,109**	**18,475**	**9,746**	**23,263**

Changes in provisions

	Employee benefits	Provision for rehabilitation expenses	Provision for CO_2 emission costs	Provision for rights intended for redemption	Onerous contracts	Other	Total
1 JANUARY 2024	**3,701**	**6,370**	**21,211**	**526**	**835**	**366**	**33,009**
Actuarial gains and losses	(39)	-	-	-	-	-	(39)
Current employment costs	122	-	-	-	-	-	122
Past employment costs	(15)	-	-	-	-	-	(15)
Interest costs	188	336	-	-	-	-	524
Adjustment to discount rate and other assumptions	(192)	(813)	-	-	-	-	(1,005)
Benefits paid / Provisions used	(333)	-	(24,454)	(450)	(13)	(92)	(25,342)
Reserves reversed	-	-	(3)	(74)	(835)	(55)	(967)
Provisions established – costs	-	55	20,344	452	131	244	21,226
Provisions established – expenditure	-	22	-	-	-	-	22
Change in the composition of the CG	-	-	-	-	-	-	-
Other changes	1	45	-	-	43	(40)	49
31 DECEMBER 2024	**3,433**	**6,015**	**17,098**	**454**	**161**	**423**	**27,584**
Change recognised in operating expenses	(92)	(54)	(20,341)	(378)	-	(9)	(20,874)
Change recognised in other operating income/(expenses)	-	622	-	-	704	(178)	1,148
Change recognised in other financial income/(expenses)	(188)	(336)	-	-	-	(2)	(526)
Change recognised in assets	-	157	-	-	-	-	157
Change recognised in other comprehensive income	216	-	-	-	-	-	216

	Employee benefits	Provision for rehabilitation expenses	Provision for CO_2 emission costs	Provision for energy origin rights intended for redemption	Onerous contracts	Other	Total
1 JANUARY 2023	**2,486**	**4,142**	**20,318**	**271**	**86**	**283**	**27,586**
Actuarial gains and losses	536	-	-	-	-	-	536
Current employment costs	126	-	-	-	-	-	126
Past employment costs	53	-	-	-	-	-	53
Interest costs	182	292	-	-	-	-	474
Adjustment to discount rate and other assumptions	471	1,854	-	-	-	-	2,325
Benefits paid / Provisions used	(299)	-	(22,821)	(739)	-	(87)	(23,946)
Reserves reversed	-	(22)	(2)	(5)	(86)	(54)	(169)
Provisions established – costs	-	48	23,716	871	835	122	25,592
Provisions established – expenditure	-	48	-	-	-	-	48
Change in the composition of the CG	141	5	-	128	-	107	381
Other changes	5	3	-	-	-	(5)	3
31 DECEMBER 2023	**3,701**	**6,370**	**21,211**	**526**	**835**	**366**	**33,009**
Change recognised in operating expenses	(318)	(48)	(23,714)	(866)	-	(25)	(24,971)
Change recognised in other operating income/(expenses)	-	(527)	-	-	(749)	(39)	(1,315)
Change recognised in other financial income/(expenses)	(182)	(292)	-	-	-	(4)	(478)
Change recognised in assets	-	(1,346)	-	-	-	-	(1,346)
Change recognised in other comprehensive income	(869)	-	-	-	-	-	(869)

20.1 Provision for rehabilitation expenses

Provision for rehabilitation of mine pits

Upon the completion of coal extraction, the land used by the opencast mines owned by the Group must undergo rehabilitation. According to current plans, rehabilitation costs will be incurred during the years 2032–2066 in the case of the Bełchatów Lignite Mine Branch, and from 2045 to 2085 in the case of the Turów Lignite Mine Branch.

The Group recognises a provision for the cost of mine pit rehabilitation. The amount of the provision reported in the financial statements also includes the value of the Mine Decommissioning Fund, created in accordance with the Geological and Mining Law. As at 31 December 2024, the provision amounts to PLN 5,379 million (compared to PLN 5,694 million as at 31 December 2023).

In addition, the Group revised the discount rates used to estimate the present value of future rehabilitation expenses at both opencast lignite mines. The rates are as follows:

- for expenses expected to be incurred within 15 years from the reporting date – 5.8% (compared to 5.1% as at 31 December 2023),
- for expenses expected to be incurred between 16 and 25 years from the reporting date – 6.0%, extrapolated by PGE according to the adopted methodology (compared to 5.5% as at 31 December 2023),
- for expenses expected to be incurred more than 25 years from the reporting date – 6.14%, extrapolated by PGE according to the adopted methodology (compared to 5.67% as at 31 December 2023).
- The Group also reviewed its inflation forecasts.

The update of the above assumptions resulted in a PLN 690 million reduction in the provision. Current extraction and the unwinding of the discount resulted in an increase of PLN 374 million. As a result, the provision for mine pit rehabilitation decreased by PLN 316 million in the current reporting period. This change was recognised as follows:

- PLN 95 million – recognised against assets (as a reduction in the value of property, plant and equipment – PLN 107 million, and an increase in the Mine Decommissioning Fund deposit balance – PLN 12 million),
- PLN 221 million – recognised in the current profit or loss.

Estimated changes in the value of the rehabilitation provision resulting from changes in the discount rate:

	Value in statement	Discount rate	
		-1 p.p.	+1 p.p.
Provision for rehabilitation of mine pits	5,379	1.327	(1,034)

Provision for rehabilitation of ash landfills

The Group's generating units recognise provisions for the rehabilitation of ash landfill sites. As at 31 December 2024, the value of the provision amounts to PLN 259 million (compared to PLN 256 million at the end of the comparative period).

Provision for the decommissioning of property, plant and equipment

As at the reporting date, the provision amounts to PLN 370 million (PLN 412 million at the end of the comparative period) and relates to certain assets within the Conventional Generation and Renewables segments.

Other rehabilitation provisions

Group companies recognise a provision for other rehabilitation-related costs in the amount of PLN 7 million (PLN 7 million as at 31 December 2023).

20.2 Provision for CO_2 emission costs

This provision is recognised based on the value of both paid and free allowances. Since 2020, the Group has only been entitled to free allowances for heat production. In 2024, regulations changed with respect to the deadline for fulfilling the obligation to surrender CO_2 emission allowances, postponing the surrender date for a given year to the end of September of the following year. Despite this change, the Group presents the provision in the current portion, as the obligation is settled within the normal operating cycle of the Group. As at 31 December 2024, the provision amounts to PLN 17,098 million (PLN 21,211 million at the end of the comparative period).

20.3 Provision for energy origin rights intended for redemption

Companies within the PGE Capital Group recognise provisions for the value of energy origin certificates related to sales made during the reporting period or previous periods, to the extent not cancelled by the reporting date. As at 31 December 2024, the provision amounts to PLN 454 million (PLN 526 million in the comparative period), and is primarily recognised by PGE Obrót S.A..

20.4 Provision for onerous contracts

This provision is mainly recognised by PGE Obrót S.A. In accordance with the Act of 20 February 2015 on Renewable Energy Sources, a prosumer settled under the 'net metering' model receives a rebate on active energy and variable distribution charges amounting to 80% or 70% of the volume of energy fed into the grid. Energy suppliers settle the full amount of distribution charges with distribution companies, based on the energy drawn from the grid by the prosumer (without considering the rebate). The prosumer does not bear the cost of variable distribution charges for the portion of energy drawn from the grid that is offset by energy fed into the grid, meaning that the full cost is borne by the energy suppliers. The revenues obtained by the supplier for acquiring 20% or 30% of the energy fed into the grid by prosumers do not fully cover these costs. Taking into account the purchase prices of electricity in relation to the 20% or 30% share of energy taken over from the prosumer, and the trading result on electricity under these contracts, the forecast result for 2025 from prosumer settlements in tariff groups Gx is expected to remain negative. As a result, as at 31 December 2024, the Group recognised a provision for onerous contracts in the amount of PLN 120 million.

In the previous reporting period, the provision at PGE Obrót S.A. was recognised due to the fact that the approved 2024 tariff did not fully cover the costs of electricity purchased under previously concluded procurement contracts, energy origin certificates, and operating costs related to regulated activities. Consequently, the company recognised, as at 31 December 2023, a provision for onerous contracts with customers in tariff groups Gx for 2024, in the amount of PLN 761 million, including contracts with prosumers. The provision was estimated in accordance with the provisions of IAS 37 – *Provisions, contingent liabilities and contingent assets*, under which unavoidable costs of fulfilling a contract include both variable costs

(energy, property rights) and direct costs related to servicing Gx customers borne by PGE Obrót S.A., excluding general administrative expenses.

Additionally, as at 31 December 2023, PGE Obrót S.A. recognised a provision of PLN 74 million due to the extension, for the first half of 2024, of the maximum price scheme for microenterprises, small and medium-sized enterprises, and local government units.

Both provisions described above were fully reversed in 2024.

As stated in Note 32.4 of this financial statement, electricity trading companies are required to submit a request to amend the tariff valid until 31 December 2025 by 30 April 2025. This may result in a reduction of the electricity price in the tariff for several months of 2025, and may lead to the need to reassess the potential provision for onerous contracts.

20.5 Other provisions

Provision for potential claims from contractors

The value of provisions for potential claims from contractors includes provisions recognised by ENESTA sp. z o.o. in restructuring amounting to PLN 62 million.

The matter of a provision of PLN 135 million established in the current reporting period by PGE GiEK is described in Note 27.3 of this consolidated financial statement.

Additionally, in 2021, the Group recognised a provision of PLN 39 million in connection with the sale of shares in PGE EJ1 sp. z o.o. to the State Treasury. Pursuant to the Agreement regulating the liability of former shareholders for costs related to the dispute with Worley Parsons, PGE S.A. may be required to cover litigation costs up to a maximum of PLN 98 million in the event of an unfavourable outcome. An amount of PLN 59 million is recognised as a contingent liability, as disclosed in Note 27.1.

21. Employee benefits

The value of actuarial provisions presented in the financial statement is based on a valuation prepared by an independent actuary.

The key assumptions adopted by the actuary as at the reporting date for the calculation of the provision are as follows:

	As at 31 December 2024	As at 31 December 2023
Forecast inflation rate (%)	4.6 in 2025, 2.5 in 2026 and the subsequent years,	6.6 in 2024, 4.2 in 2025, 3.5 in 2026, 3.0 in 2027, 2.7 in 2028, 2.50 in 2029 and the subsequent years
Discount rate (%)	5.8	5.1
Average annual growth of bases (%)	2.5 – 10.1	2.5 – 15.4
Employee turnover rate (%)	0.1 – 10.1	0.1 – 12.7
Forecast increase rate for the value of medical services (%)	0.0 – 2.5	0.0 – 73.3
Forecast increase rate for the value of allowance for the CSBF (%)	9.64 in 2025, 10.85 in 2026, 6.8 in 2027 and the subsequent years,	25.72 in 2024, 6.0 in subsequent years

- The employee attrition probability is based on the historical data on employee turnover in the Group.
- Mortality and the likelihood of living up to a certain age are adopted in accordance with the Life Expectancy Table published by Statistics Poland, assuming that the population of the Group employees corresponds to the average for Poland with respect to mortality.
- The statutory procedure for employees' retirement has been adopted in accordance with the detailed rules set out in the Act amending the Act on Pensions and Disability Pensions from the Social Insurance Fund and certain other acts of 16 November 2016.
- Future payments of benefits as at the reporting date were discounted at the rate of 5.8% (on 31 December 2023: 5.1%) i.e. at the level of profitability of securities issued by the State Treasury and listed in the Polish capital market.

Current book value of provisions for post-employment benefits and jubilee rewards

	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Retirement severance and death benefits	512	135	566	126
Coal allowance	77	10	82	9
Energy tariff	959	56	1,200	59
Company Social Benefits Fund	623	33	537	29
Health care	78	7	79	7
TOTAL POST-EMPLOYMENT BENEFITS	**2,249**	**241**	**2,464**	**230**
Jubilee rewards and incentive bonuses	797	146	865	142
TOTAL ACTUARIAL PROVISIONS	**3,046**	**387**	**3,329**	**372**

Changes in provisions for employee benefits

	Retirement severance and death benefits	Coal allowance	Energy tariff	CSBF	Health care	Jubilee rewards and incentive bonuses	Total
AS AT 1 JANUARY 2024	**692**	**91**	**1,259**	**566**	**86**	**1,007**	**3,701**
Actuarial gains and losses	(2)	3	(191)	127	5	19	(39)
Adjustment to discount rate	(25)	(4)	(73)	(51)	(5)	(34)	(192)
Current employment costs	28	1	18	15	2	58	122
Past employment costs	-	-	(15)	-	-	-	(15)
Interest costs	35	5	64	29	4	51	188
Benefits paid / Provisions used	(81)	(9)	(47)	(31)	(7)	(158)	(333)
Change in the composition of the CG	-	-	-	-	-	-	-
Other changes	-	-	-	1	-	-	1
AS AT 31 DECEMBER 2024	**647**	**87**	**1,015**	**656**	**85**	**943**	**3,433**
Change recognised in operating expenses	(28)	(1)	(3)	(15)	(2)	(43)	(92)
Change recognised in finance income/ (expenses)	(35)	(5)	(64)	(29)	(4)	(51)	(188)
Change recognised in other comprehensive income	27	1	264	(76)	-	-	216

	Retirement severance and death benefits	Coal allowance	Energy tariff	CSBF	Health care	Jubilee rewards and incentive bonuses	Total
AS AT 1 JANUARY 2023	**563**	**81**	**725**	**273**	**47**	**797**	**2,486**
Actuarial gains and losses	14	3	283	151	31	54	536
Adjustment to discount rate	65	10	211	93	7	85	471
Current employment costs	31	1	25	11	1	57	126
Past employment costs	7	-	4	10	-	32	53
Interest costs	41	6	51	21	3	60	182
Benefits paid / Provisions used	(72)	(9)	(42)	(23)	(4)	(149)	(299)
Change in the composition of the CG	43	-	-	27	-	71	141
Other changes	-	(1)	2	3	1	-	5
AS AT 31 DECEMBER 2023	**692**	**91**	**1,259**	**566**	**86**	**1,007**	**3,701**
Change recognised in operating expenses	(38)	(1)	(29)	(21)	(1)	(228)	(318)
Change recognised in finance income/ (expenses)	(41)	(6)	(51)	(21)	(3)	(60)	(182)
Change recognised in other comprehensive income	(79)	(13)	(494)	(244)	(38)	-	(868)

Sensitivity analysis of actuarial provisions as at 31 December 2024 to changes in key assumptions

	Value in statement	Financial discount rate		Planned growth of bases	
		-1 p.p.	+ 1 p.p.	-1 p.p.	+ 1 p.p.
Retirement severance and death benefits	647	38	(33)	(34)	38
Coal allowance	87	5	(5)	(6)	6
Energy tariff	1,015	112	(94)	(97)	115
Company Social Benefits Fund	656	81	(67)	(69)	82
Health care	85	7	(6)	(6)	8
Jubilee rewards and incentive bonuses	943	51	(47)	(48)	52
TOTAL	**3,433**	**294**	**(252)**	**(260)**	**301**

22. Deferred income and government grants

SIGNIFICANT ACCOUNTING PRINCIPLES

Deferred income and government grants

Deferred income is recognised in accordance with the principles of prudence and matching of income and expenses. Deferred income includes:

- funds received for the purpose of financing the acquisition or production of property, plant and equipment or intangible assets. Such income is recognised by gradually increasing other operating income by an amount corresponding to the depreciation charges on these assets, in the portion financed by the aforementioned funds. This applies in particular to loans and borrowings that have been partially or fully forgiven, grants received for the purchase of property, plant and equipment, as well as funding for development work or the purchase of intangible assets;
- property, plant and equipment or intangible assets received free of charge. The income from such items is recognised under other operating income in parallel with depreciation on these assets.

Government grants are recognised when there is reasonable assurance that the grant will be received and that all associated conditions will be met. If the grant relates to an asset, it is recognised by gradually increasing other operating income proportionally to the depreciation charges on the related assets.

22.1 Non-current deferred income and government grants

	As at 31 December 2024	As at 31 December 2023
GOVERNMENT GRANTS		
Grants received from NFOŚiGW	446	372
Loan forgiveness from environmental funds	21	23
Other government grant settlements	378	124
DEFERRED INCOME		
Grants received and connection fees	52	55
Donations and property, plant and equipment received free of charge	582	516
Other deferred income	60	57
TOTAL NON-CURRENT GRANTS AND DEFERRED INCOME	**1,539**	**1,147**

22.2 Current deferred income and government grants

	As at 31 December 2024	As at 31 December 2023
GOVERNMENT GRANTS		
Grants received from NFOŚiGW	29	20
Loan forgiveness from environmental funds	2	2
Other government grant settlements	14	7
DEFERRED INCOME		
Grants received and connection fees	2	3
Donations and property, plant and equipment received free of charge	67	63
Other deferred income	67	10
TOTAL CURRENT GRANTS AND DEFERRED INCOME	**181**	**105**

23. Other non-financial liabilities

Main components of other non-financial liabilities as at the respective reporting dates.

23.1 Other non-current non-financial liabilities

Under other non-current non-financial liabilities, the Group primarily recognises contract liabilities amounting to PLN 183 million in the current reporting period and PLN 170 million in the comparative period.

23.2 Other current non-financial liabilities

	As at 31 December 2024	As at 31 December 2023
OTHER CURRENT LIABILITIES		
Contract liabilities	969	1,103
Liabilities related to output VAT	712	951
Excise duty liabilities	34	34
Liabilities relating to contributions to PDPF	6	782
Environmental charges	226	200
Liabilities for salaries	432	393
Employee bonuses	420	371
Accrued annual leave entitlements and other employee benefits	381	350
Management Board awards	23	22
Personal income tax	148	122
Social security liabilities	408	370
Other	87	80
OTHER CURRENT LIABILITIES, TOTAL	**3,846**	**4,778**

Environmental charges primarily relate to water consumption fees and emissions from conventional power plants, as well as exploitation fees paid by lignite mines. The item 'Other' mainly includes contributions to the Employee Pension Scheme, deductions from employee salaries, and contributions to the State Fund for Rehabilitation of Disabled People.

Contract liabilities

Contract liabilities primarily include advances for deliveries and prepayments made by customers for connections to the distribution network, as well as electricity consumption forecasts relating to future periods. In 2024, the Group recognised revenues of PLN 501 million (PLN 243 million in 2023) that had been included in the opening balance of contract liabilities.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments

SIGNIFICANT ACCOUNTING PRINCIPLES

Financial instruments

Classification and valuation

Financial assets are allocated to the following categories of financial instruments:

- measured at amortised cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss.

The classification of financial assets is based on a business model and characteristic features of cash flows.

Debt financial assets are measured at amortised cost if both of the following conditions are met:

- the adopted business model provides for the maintenance of a given asset for the purpose of collecting cash flows resulting from an agreement;
- cash flows resulting from an agreement and related to a given instrument comprise exclusively the repayment of the principal amount and interest on the unpaid part of the principal amount – (the SPPI test).

Debt financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the adopted business model provides for the maintenance of a given asset for the purpose of collecting cash flows resulting from an agreement and the sale of such an asset;
- cash flows resulting from an agreement and related to a given instrument comprise exclusively the repayment of the principal amount and interest on the unpaid part of the principal amount – (the SPPI test).

Debt instruments that do not fulfil the aforementioned conditions are measured at fair value through profit or loss.

Investments in equity instruments are always measured at fair value. The Group may make an irrevocable decision to recognise changes in fair value in other comprehensive income unless the instrument is held for trading. In the case of equity instruments held for trading, changes in fair value are recognised in profit or loss.

All standard transactions of purchase and sale of financial assets are recognised at the transaction date, i.e. the date when the entity commits itself to purchase a given asset. Standard transactions of purchase or sale of financial assets are transactions of purchase or sale in which the date of delivery of assets to the other party is generally determined by the laws or customs of a given market.

The impairment model is based on expected credit losses and covers the following:

- financial assets measured at amortised cost;
- debt financial assets measured at fair value through other comprehensive income;
- commitments to grant a credit if there is currently an obligation to provide it;
- granted financial guarantees that fall within the scope of IFRS 9;
- receivables under lease agreements falling within the scope of IFRS 16;
- contractual assets that are within the scope of IFRS 15.

The Group allocates financial liabilities to one of the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss.

24.1 Description of significant items within the particular categories of financial instruments

24.1.1 Financial receivables and other financial receivables

SIGNIFICANT ACCOUNTING PRINCIPLES

Financial receivables

Financial receivables, including trade receivables, are measured as at the date they arise at fair value, and then at amortised cost using the effective interest rate, including write-downs for expected credit loss.

The Group applies simplified methods of valuation of receivables measured at amortised cost if it does not distort the information contained in the statement of financial position, in particular when the period until the payment of receivables is not long.

In the case of financial receivables, the Group assesses the amount of a write-down related to expected credit losses in the amount equal to expected credit losses during the whole lifetime of an instrument.

The Group measures financial assets at amortised cost, in accordance with the adopted business model. This model assumes that a financial asset is held to produce contractual cash flows.

	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Trade receivables	-	6,473	-	6,736
Receivables from recognised compensation due	-	1,022	-	2,013
Deposits, securities and collateral	6	328	9	1,275
High-efficiency cogeneration support scheme	-	22	-	243
Settlements related with stock market transactions	-	24	-	162
Deposits and loans	262	-	240	-
Loans granted	20	-	-	-
Damages and penalties	-	11	-	11
Other financial receivables	1	51	5	76
FINANCIAL RECEIVABLES	**289**	**7,931**	**254**	**10,516**

Deposits, securities and collateral mainly relate to collateral and transactional deposits, as well as the guarantee fund in the electricity and EUA trading market.

Trade receivables

The main component of trade receivables is the receivables recognised by the company PGE Obrót. Receivables from households account for approximately 8% of the consolidated trade receivables balance, while receivables from corporate customers represent approximately 54% of the consolidated trade receivables balance. Additional information on trade receivables is presented in Note 25.3.1 to these financial statements.

The Group also presents receivables from the remeasurement of electricity sales under trade receivables.

Other financial receivables

The value of other financial receivables mainly comprises the guarantee fund, compensation claims, and disputed receivables, as described in Note 27.3 to these consolidated financial statements.

24.1.2 Derivatives and other instruments measured at fair value through profit or loss

SIGNIFICANT ACCOUNTING PRINCIPLES

Derivative financial instruments and hedges

Derivative instruments used by the Group to hedge against interest rate and currency exchange rate risks include in particular forwards, futures and interest rate swap contracts, as well as CCIRS transactions to hedge the exchange rate and interest rate. Financial derivative instruments of this type are measured at fair value. Derivative instruments are recognised as assets if their value is positive or as liabilities if their value is negative.

Gains and losses from changes in the fair value of derivative instruments that do not meet the conditions of hedge accounting and the ineffective part of hedging relationships in cash flow hedges are charged directly to profit or loss for the financial year.

The fair value of currency forward contracts is determined by reference to the current forward rates calculated on the basis of market data. The fair value of interest rate swap contracts is calculated on the basis of yield curves.

	As at 31 December 2024			
	Recognised in profit or loss	Recognised in other comprehensive income	Assets	Liabilities
DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Currency forwards	1	-	-	9
Commodity forwards	-	-	-	-
Commodity swaps	(12)	-	12	11
Coal purchase/sale contracts	(28)	-	31	1
Embedded derivatives in commercial contracts	198	-	-	212
Options	(11)	-	2	-
HEDGING DERIVATIVES				
CCIRS hedging transactions	10	17	36	-
IRS hedging transactions	89	(16)	176	-
Currency forwards	-	1,177	2	383
Commodity forwards – all-in-one-hedge	-	140	186	46
Deal Contingent Swaps (DCS)	-	(599)	-	599
Commodity swaps	-	(15)	-	15
Inflation swaps	-	(15)	-	15
OTHER ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Investment fund participation units	2	-	34	-
TOTAL	**249**	**689**	**479**	**1,291**
short-term part	-	-	169	509
long-term part	-	-	310	782

	As at 31 December 2023			
	Recognised in profit or loss	Recognised in other comprehensive income	Assets	Liabilities
DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Currency forwards	(170)	-	3	25
Commodity forwards	2	-	-	-
Commodity swaps	145	-	65	14
Coal purchase/sale contracts	(25)	-	78	19
Embedded derivatives in commercial contracts	13	-	-	410
Options	(5)	-	13	-
HEDGING DERIVATIVES				
CCIRS hedging transactions	(60)	(54)	4	-
IRS hedging transactions	168	(242)	193	-
Currency forwards – USD	-	11	-	-
Currency forwards – EUR	-	(1,040)	7	1,565
OTHER ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Investment fund participation units	4	-	31	-
TOTAL	**72**	**(1,325)**	**394**	**2,033**
short-term part	-	-	116	1,682
long-term part	-	-	278	351

For currency forwards, the measurements of the instruments is presented in the column "Recognised in profit or loss".

Commodity and currency forwards

Commodity and currency forward transactions mainly relate to trade in CO_2 emission allowances and hard coal. The Group applies hedge accounting for currency forward transactions.

Commodity forwards for CO_2 and gas purchases under all-in-one hedge accounting

As part of its optimisation portfolio, the Group holds commodity forwards for the purchase of CO_2 and gas, settled by the physical delivery of the non-financial contract item. The contracts concluded as part of this portfolio do not meet the conditions of the 'own use' exemption and are recognised as financial instruments at the time of conclusion. At the same time, such contracts are designated as hedging instruments in hedging relationships that are part of an 'all-in-one hedge' strategy.

Options

PGE S.A. acquired from Towarzystwo Finansowe Silesia Sp. z o.o. call options to purchase shares in Polimex-Mostostal S.A. The options were measured using the Black-Scholes method.

Coal swaps

In the current period, PGE Paliwa sp. z o.o., in order to hedge its commodity price risk related to imported coal, entered into a series of hedge transactions using commodity swaps on coal. The volume and value of these transactions are correlated with the quantity and value of imported coal. Changes in fair value are recognised in profit or loss.

Coal purchase and sale contracts with physical delivery

PGE Paliwa sp. z o.o. measures all coal purchase and sale contracts with physical delivery using the trader-broker model at fair value.

Embedded derivatives in commercial contracts

In 2024, PGE Energia Odnawialna S.A. held long-term power purchase agreements (PPAs) for the sale of electricity, including two agreements concluded directly with end customers. Four of these contracts contain embedded derivatives that are measured at the end of each reporting period. The effects of changes in the fair value of these instruments are recognised in profit or loss under finance income/costs.

IRS transactions

The Group has active IRS transactions to hedge the interest rate on its credits and issued bonds. Their total original nominal value amounted to PLN 3,400 million (PLN 2,000 million for credits and PLN 1,400 million for bonds). In connection with the commencement of the repayment of the principal amount of certain credits, the current nominal amount of IRS transactions hedging the credits is PLN 875 million. To recognise these IRS transactions, the Group uses hedge accounting. The impact of hedge accounting on the revaluation reserve is presented in Note 19.3 to these consolidated financial statements.

CCIRS hedging transactions

In connection with loans received from PGE Sweden AB (publ), PGE S.A. concluded CCIRS transactions hedging the exchange rate related to the repayment of principal and interest. In these transactions, banks-counterparties pay PGE S.A. interest based on a fixed rate in EUR and PGE S.A. pays interest based on a fixed rate in PLN. Since these loans create an exposure to foreign exchange differences that are not fully eliminated in the consolidation process, the CCIRS transactions serve as hedging instruments for the aforementioned intra-group transactions at the consolidated level, in accordance with paragraph 6.3.6 of IFRS 9.

To recognise these CCIRS transactions, PGE CG uses hedge accounting. The impact of hedge accounting is presented in Note 19.3 to these financial statements.

Deal Contingent Swaps (DCS)

In June and July 2024, the Group entered into Deal Contingent Swap (DCS) transactions – conditional interest rate hedging instruments, whose activation is contingent upon the fulfilment of certain suspensive conditions required to initiate the financing of a future investment project, i.e. Baltica 2. These instruments are measured in a manner similar to standard IRS transactions, with adjustments reflecting their conditional nature. The valuation of DCS instruments includes an adjustment based on the probability of the occurrence of suspensive events that condition the activation of the instrument. This probability is estimated based on available information regarding the status of implementation of the investment project. In addition, cash flows resulting from the DCS instrument – such as the level of margin, which depends on the timing of the suspensive event – are modelled using a scenario-based analysis. Once the suspensive conditions are met, the DCS is subject to novation and is transformed into a standard IRS transaction. From that moment, the new transaction is measured as an unconditional IRS, with no further adjustments for the risk of non-occurrence of the conditional event. These instruments are based on the EURIBOR rate (1M/6M).

In February 2025, the Group entered into novation transactions for IRS derivatives hedging the interest rate risk of a loan obtained under a Project Finance structure.

To recognise these transactions, the Group uses hedge accounting. The purpose of the hedging relationship is to mitigate the volatility of cash flows affecting the Group's financial result, arising from highly probable future external financing transactions related to the offshore wind farm construction project.

Inflation and commodity swaps

In October 2024, the Group entered into conditional hedging transactions (inflation swaps and commodity swaps) to hedge against inflation risk and commodity price risk (index-linked components) under contracts for the supply of key components, in order to meet the financing requirements of the Baltica 2 project granted under a Project Finance structure. These instruments are measured in a manner similar to inflation and commodity swaps. The key difference lies in their conditional nature, which may affect the expected cash flows.

Following the Final Investment Decision (FID) and fulfilment of the conditional trigger, in February 2025 the Group signed novation agreements for the above-mentioned instruments. The novated contracts were concluded under the same terms.

Investment fund participation units

As at the reporting date, the Group held participation units in three sub-funds of TFI Energia S.A.

24.1.3 Credits, loans, bonds and leases

	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Credits and loans	7,057	2,581	7,018	4,376
Bonds issued	1,989	18	1,999	18
Leasing	1,415	132	1,367	119
TOTAL CREDITS, LOANS, BONDS AND LEASES	**10,461**	**2,731**	**10,384**	**4,513**

Currency position and interest rates

As at 31 December 2024

Currency	Reference rate	Value in currency	Value in PLN	Repayment deadline
PLN	Variable	6,650	6,650	credits, loans – Aug. 2025 – Mar. 2041 bonds – May 2026 – May 2029 lease – Nov. 2120
	Fixed	5,815	5,815	credits, loans – Aug. 2034 – Jul. 2044 lease – indefinite
TOTAL PLN		**12,465**	**12,465**	
EUR	Variable	-	-	-
	Fixed	140	597	bonds – Aug. 2029
TOTAL EUR		**140**	**597**	
USD	Variable	31	130	credits and loans – Oct. 2025
TOTAL USD		**31**	**130**	
TOTAL CREDITS, LOANS, BONDS AND LEASES			**13,192**	

As at 31 December 2023

Currency	Reference rate	Value in currency	Value in PLN	Repayment deadline
PLN	Variable	8,252	8,252	credits, loans – Dec. 2024 – Mar. 2041 bonds – May 2026 – May 2029 lease – Dec. 2089
	Fixed	5,886	5,886	credits, loans – Aug. 2034 – Mar. 2041 lease – indefinite
TOTAL PLN		**14,138**	**14,138**	
EUR	Variable	-	-	-
	Fixed	140	608	bonds – Aug. 2029
TOTAL EUR		**140**	**608**	
USD	Variable	38	151	credits and loans – Oct. 2024
TOTAL USD		**38**	**151**	
TOTAL CREDITS, LOANS, BONDS AND LEASES			**14,897**	

Change in the balance of credits, loans and bonds in the years ended 31 December 2024 and 2023

	Year ended 31 December 2024	Year ended 31 December 2023
AS AT 1 JANUARY	**13,411**	**7,937**
CHANGE IN THE BALANCE OF OVERDRAFT FACILITIES	-	-
CHANGE IN THE BALANCE OF credits, loans, bonds	**1,766**	**5,474**
Obtained credits, loans / issued bonds	6,914	9,114
Repayment of credits, loans / redemption of bonds	(8,668)	(6,271)
Interest accrued	662	787
Payment of interest	(666)	(771)
Foreign exchange differences	2	(130)
Change in the composition of the Group	-	2,745
Other changes	(10)	-
AS AT 31 DECEMBER	**11,645**	**13,411**

Credits and loans

Creditor	Hedging instrument	Date of maturity	Limit in currency	Currency	Interest rate	Liability at 31-12-2024	Liability at 31-12-2023
European Investment Bank	-	2042-12-09	2,000	PLN	Fixed	2,041	2,041
European Investment Bank	-	2034-08-25	1,500	PLN	Fixed	1,192	1,317
Bank Gospodarstwa Krajowego	-	2027-02-19	1,500	PLN	Variable	900	-
European Investment Bank	-	2043-02-03	850	PLN	Variable	868	867
Bank Pekao S.A.	-	2027-12-31	750	PLN	Variable	752	-
European Investment Bank	-	2043-02-03	550	PLN	Fixed	562	562
Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce	-	2027-12-31	500	PLN	Variable	501	-
European Investment Bank	-	2034-08-25	490	PLN	Fixed	390	431
Bank Gospodarstwa Krajowego	IRS	2027-12-31	1,000	PLN	Variable	376	501
European Investment Bank	-	2038-10-16	273	PLN	Fixed	274	274
European Bank for Reconstruction and Development	IRS	2028-06-07	500	PLN	Variable	252	315
Bank Gospodarstwa Krajowego	IRS	2028-12-31	500	PLN	Variable	250	313
Bank Pekao S.A.	-	2025-10-31	40	USD	Variable	130	151
PKO BP S.A.	-	2025-12-31	1,000	PLN	Variable	84	767
Bank Pekao S.A.	-	2027-12-31	750	PLN	Variable	64	37
Bank Gospodarstwa Krajowego	-	2026-09-29	1,400	PLN	Variable	4	1,320
Bank consortium	-	2027-03-01	3,150	PLN	Variable	-	1,501
Bank Gospodarstwa Krajowego	-	2036-12-20	3,900	PLN	Variable	-	-
European Investment Bank	-	2044-07-29	1,000	PLN	Fixed/ Variable	-	-
Santander Bank Polska S.A.	-	2029-08-28	1,000	PLN	Variable	-	-
PKO BP S.A.	-	2025-09-30	165	PLN	Variable	-	-
ING Bank Śląski S.A.	-	2025-12-31	57	PLN	Variable	-	-
PKO BP S.A.	-	2025-08-30	5	PLN	Variable	-	-
NFOŚiGW	-	Dec. 2028 – Jun. 2042	260	PLN	Fixed	88	86
NFOŚiGW	-	Jun. 2031 – Sep. 2038	957	PLN	Variable	807	772
WFOŚiGW	-	Sep. 2026	9	PLN	Fixed	3	4
WFOŚiGW	-	Mar. 2026 – Dec. 2029	213	PLN	Variable	100	135
TOTAL BANK CREDITS						**9,638**	**11,394**

As at 31 December 2024, the outstanding overdraft facility limits of significant companies of the PGE Capital Group amounted to PLN 3,254 million. The maturity dates of overdraft facilities granted to the key companies of the Capital Group fall within the years 2025–2027.

In 2024 and after the reporting date there were no defaults or breaches of other terms and conditions of the credit agreements.

Bonds issued

Issuer	Hedging instrument	Date of maturity of the programme	Limit in the programme currency	Currency	Interest rate	Tranche issue date	Tranche maturity date	Liability at 31-12-2024	Liability at 31-12-2023
PGE S.A.	IRS	indefinite	5,000	PLN	Variable	2019-05-21	2029-05-21	1,007	1,007
						2019-05-21	2026-05-21	403	402
PGE Sweden AB (publ)	CCIRS	indefinite	2,000	EUR	Fixed	2014-08-01	2029-08-01	597	608
TOTAL BONDS ISSUED								**2,007**	**2,017**

The Group is keeping abreast of work related to the IBOR reform, which may affect financial instruments based on a variable interest rate. On 31 December 2024, the value of credits, borrowings and bonds exposed to interest rate risk amounted to PLN 6,498 million (PLN 5,088 million are based on the WIBOR rate, with PLN 130 million based on 1M CME TERM SOFR USD rate). In order to mitigate the interest rate risk related to financial liabilities, the Group uses IRS hedging instruments in accordance with its hedging procedures and strategy.

Lease liabilities

SIGNIFICANT ACCOUNTING PRINCIPLES

Lease liabilities

Lease liabilities are recognised as at the lease commencement date.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If not, the lessee uses their incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at that date:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the lessee measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability, which is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the book value to reflect any reassessment or lease modification, or to reflect revised ease payments that are in-substance fixed.

The PGE Group is a party to a number of lease, rental, easement and tenancy agreements. The subject of these agreements includes land, technical infrastructure areas, office and commercial space, equipment, installations, technical rooms, as well as IT infrastructure. The agreements are concluded for either a fixed term or an indefinite period with a defined notice period. The Group also holds the right to use land under perpetual usufruct. The Group estimates the lease term by taking into account all significant facts and circumstances that may affect the extension or shortening of the lease duration.

Certain agreements include variable lease payments based on the inflation index published by Statistics Poland (GUS) for the previous year. Due to their index-based nature, these payments are considered variable lease payments and are included in the measurement of the lease liability. In some cases, the annual rent is increased by other variable charges that are not dependent on an index or a rate. These include, for example, payments related to property tax or tax on structures. Such charges are not included in the measurement of lease liabilities. Under land lease agreements for the construction and operation of wind power plants, in addition to the lease rent, there are payments made as compensation for the exclusion of land from agricultural use during the construction period. These payments are not included in the lease liability calculation, as they do not confer any right to use an asset nor do they represent services rendered to the lessee. Similarly, compensation payments for losses arising from accessing the land for operational, maintenance or other purposes related to the functioning of the wind farm are also excluded from the lease liability measurement.

Decisions concerning the right of perpetual usufruct of land (RPUL) are usually granted for a fixed period of 99 years. The perpetual usufruct fee is determined as a percentage of the land's value. The annual fee for the perpetual usufruct of land is subject to revaluation no more frequently than once every three years, provided that the value of the land changes. Therefore, it is considered a variable payment based on an index or rate and is included in the measurement of the lease liability.

The Group leases minor office equipment (printers, photocopiers, computers, etc.), which it classifies as leases of low-value assets. The Group has elected to apply the exemption and does not recognise right-of-use assets or lease liabilities for these agreements in the statement of financial position.

The Group has also applied the practical expedient for short-term leases. This primarily concerns decisions to occupy road or railway infrastructure zones, provided the decision is issued for a period shorter than 12 months.

Additionally, the Group applies the practical expedient for short-term leases in the case of indefinite-term property rental agreements with a notice period of less than 12 months, where the rented premises have not been subject to significant customisation, there are no material exit barriers (e.g. penalties for early termination), and both parties have the practical ability to lease similar premises on the open market.

24.1.4 Trade and other payables

SIGNIFICANT ACCOUNTING PRINCIPLES

Liabilities

Liabilities constitute the Company's present obligation resulting from past events whose fulfilment, according to expectations, will cause an outflow of resources containing economic benefits.

The Group divides its liabilities into the following categories:

- financial liabilities measured at fair value through profit or loss,
- other financial liabilities measured as at subsequent reporting dates at amortised cost,
- non-financial liabilities.

If the consequences of changes in the time value of money are significant, liabilities are presented at discounted value.

	As at 31 December 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Trade payables	-	5,201	-	4,715
Purchase of PPE and IA	38	1,609	3	1,647
Received deposits and bid bonds	42	166	50	178
Long-Term Contracts liabilities	-	348	355	20
Compensations	-	613	-	420
Insurance	-	3	-	6
Exchange transaction settlements	-	-	-	-
Other	125	232	116	623
TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES	**205**	**8,172**	**524**	**7,609**

As at 31 December 2024, the Group recognised PLN 2,009 million under Trade payables in respect of factoring liabilities (PLN 1,838 million in the comparative period). The amount of liabilities already transferred to suppliers was PLN 2,009 million as at 31 December 2024 (PLN 1,835 million in the comparative period). The item 'Other' includes, among other things, liabilities of PGE Dom Maklerski S.A. towards clients in respect of cash received.

24.2 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities measured at amortised cost represent a reasonable approximation of their fair values, except for bonds issued by PGE Sweden AB (publ) and a loan contracted with the EIB.

The bonds issued by PGE Sweden AB (publ) bear a fixed interest rate. Their amortised cost presented in these financial statements as at 31 December 2024 amounts to EUR 140 million, while their fair value is EUR 133 million. The inputs used for the valuation are classified as Level 1 in the fair value hierarchy.

In case of the fixed rate credit obtained from the EIB, the amortised cost disclosed in the financial statements as at the reporting date amounted to PLN 4,458 million and their fair value amounted to PLN 4,487 million. The indexes used in valuation belong to Level 2 of the fair value hierarchy.

Instruments not listed on active markets, whose fair value cannot be reliably determined

The key items in this category of financial instruments are shares and equity interests in entities not listed on active markets. The PGE Capital Group is not able to reliably determine the fair value of shares in companies not listed on active markets. Therefore, they are presented at acquisition cost, adjusted if necessary for impairment.

24.3 Fair value hierarchy

Derivative instruments

The Group measures derivatives at fair value using valuation models for financial instruments based on publicly available exchange rates, interest rates, discount curves in particular currencies (applicable also for commodities whose prices are denominated in these currencies) obtained from information platforms and active markets. The fair value of derivative instruments is determined based on discounted future cash flows related from concluded transactions, calculated on the basis of the difference between the forward price and the transaction price. The valuation of IRS transactions is the difference in the discounted interest flows of a fixed rate stream and a floating rate stream. The valuation of CCIRS transactions is the difference in the discounted flows paid and received in two different currencies. Forward exchange rates are not modelled as a separate risk factor, but are derived from the spot rate and the corresponding forward interest rate for the foreign currency in relation to PLN.

Deal Contingent Swap (DCS) transactions entered into by the Group are conditional interest rate hedging instruments, whose activation is contingent upon the fulfilment of certain suspensive conditions required to initiate the financing of future investment projects. These instruments are measured in a manner similar to standard IRS transactions, with adjustments reflecting their conditional nature. The valuation of DCS instruments includes an adjustment based on the probability of the occurrence of suspensive events that condition the activation of the instrument. This probability is estimated based on available information regarding the status of implementation of the investment project. In addition, cash flows resulting from the DCS instrument – such as the level of margin, which depends on the timing of the suspensive event – are modelled using a scenario-based analysis. Once the suspensive conditions are met, the DCS is subject to novation and is transformed into a typical IRS transaction. From that moment, the new transaction is measured as a standard IRS, with no further adjustments for the risk of non-occurrence of the conditional event.

Commodity and inflation risk hedging transactions (commodity and inflation swaps) are based on indices specified in the underlying agreements. These indices are either quoted on commodity exchanges or their prices are determined in the over-the-counter (OTC) market.

Future developments in interest rates, exchange rates or EUA price levels other than those projected by the Group will have an impact on future financial statements.

In the category of financial assets and liabilities measured at fair value through profit or loss, the Group recognises financial instruments related to CO_2 emissions trading – including currency and commodity forwards, as well as contracts for the purchase and sale of coal and gas, and commodity swaps (Level 2).

Additionally, the Group presents the CCIRS derivative hedging instrument for foreign exchange and interest rate and the IRS transactions hedging replacing a floating rate in PLN with a fixed rate in PLN (Level 2).

In 2024, the Group held power purchase agreements (PPAs) for the sale of electricity. Four of these contracts contain embedded derivatives that are measured at the end of each reporting period. The effects of changes in the fair value of these instruments are recognised in profit or loss under finance income/costs. The sale of electricity with physical delivery is carried out on a two-component basis, consisting of a fixed element (scheduled for a given year) and a variable component linked to actual electricity production and market prices in monthly settlement periods. The contracts were concluded for a period of up to 10 years, with rights and obligations defined until 31 December 2025 and 31 December 2030, respectively.

Derivative instruments were measured using the discounted cash flow (DCF) method. Net cash flows were calculated as the product of the volume committed for delivery under the agreement and the difference between the fixed contract price for the specified volume and the forecasted electricity price for the relevant period.

For the purpose of valuing the described financial instrument, an electricity price forecast was prepared for a period corresponding to the electricity sale period under the PPA agreements.

Cash flows were discounted using the 1M WIBOR rate to obtain the Mark-to-Market valuation. In accordance with IFRS 13, which defines fair value, and IFRS 9, which requires the consideration of credit risk in determining fair value, an adjustment was additionally applied to the discount rate to reflect the credit quality and credit risk of the entity or counterparty—depending on whether the derivative is classified as in-the-money or out-of-the-money.

Following a detailed analysis as at 31 December 2024, the PPA agreements were classified as unobservable inputs qualifying for Level 3 presentation in the fair value hierarchy. The Group performed an appropriate reclassification of the instrument. A market valuation of these instruments as at the reporting date is not possible, as the parameters of PPA agreements are not publicly disclosed and are not traded on an exchange.

The decrease in the valuation of derivative instruments in 2024 is mainly due to the decline in electricity prices and market expectations regarding their development through to 2030. The reduction in valuation is also influenced by the passage of time, as the volume and value of electricity remaining to be delivered over the duration of the PPA contract diminishes — the short-term portion, due for settlement within the next 12 months, amounted to over PLN 61 million as at the end of 2023.

Sensitivity analysis to electricity price risk for derivative instruments embedded in PPA (Power Purchase Agreement) contracts

For derivative instruments, the value exposed to the interest rate risk is the fair value (book value) of such instruments. The sensitivity analysis for derivative instruments was performed based on changes in the electricity prices applied in the pricing path, expressed in Polish zloty per MWh.

The table below presents the sensitivity of the valuation of PPA contracts to reasonably possible changes in electricity prices used in the pricing paths, assuming all other risk factors remain constant for these classes of financial instruments.

Maturity period of the PPA instrument over the entire forecast horizon	Valuation in the financial statements (PLN million)	Impact on profit or loss in the event of a change in the electricity pricing path (PLN/MWh) compared to the valuation assumptions (+) income / (–) expense		Valuation of the financial instrument in the event of a change in the electricity pricing path (PLN/MWh) compared to the valuation assumptions	
		Increase + 10%	Decrease - 10%	Increase + 10%	Decrease - 10%
PPA contract ending on 31.12.2025	4	(1)	1	5	2
PPA contract ending on 31.12.2030	208	(39)	39	247	170
TOTAL	**212**	**(40)**	**40**	**252**	**172**

	Assets as at 31 December 2024		
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 3**
CO_2 emission allowances in trading activity	-	-	-
Hard coal in trading activity	309	-	-
INVENTORIES	**309**	-	-
Currency forwards	-	-	-
Commodity swaps	-	12	-
Coal purchase/sale contracts	-	31	-
Embedded derivatives in commercial contracts	-	-	-
Options	-	2	-
DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	**45**	-
CCIRS hedging transactions	-	36	-
IRS hedging transactions	-	176	-
Currency forwards – EUR	-	2	-
Commodity forwards – all-in-one-hedge	-	186	-
Deal Contingent Swaps (DCS)	-	-	-
Commodity swaps	-	-	-
Inflation swaps	-	-	-
HEDGING DERIVATIVES	-	**400**	-
Investment fund participation units	-	34	-
OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	**34**	-

	Liabilities as at 31 December 2024		
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 3**
CO_2 emission allowances in trading activity	-	-	-
Hard coal in trading activity	-	-	-
INVENTORIES	-	-	-
Currency forwards	-	9	-
Commodity swaps	-	11	-
Coal purchase/sale contracts	-	1	-
Embedded derivatives in commercial contracts	-	-	212
Options	-	-	-
DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	**21**	**212**
CCIRS hedging transactions	-	-	-
IRS hedging transactions	-	-	-
Currency forwards – EUR	-	383	-
Commodity forwards – all-in-one-hedge	-	46	-
Deal Contingent Swaps (DCS)	-	599	-
Commodity swaps	-	15	-
Inflation swaps	-	15	-
HEDGING DERIVATIVES	-	**1,058**	-
Investment fund participation units	-	-	-
OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-

	Assets as at 31 December 2023		Liabilities as at 31 December 2023	
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 1**	**Level 2**
CO_2 emission allowances in trading activity	1	-	-	-
Hard coal in trading activity	343	-	-	-
INVENTORIES	**344**	-	-	-
Currency forwards	-	3	-	25
Commodity swaps	-	65	-	14
Coal purchase/sale contracts	-	78	-	19
Embedded derivatives in commercial contracts		-		410
Options	-	13	-	-
DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	**159**	**-**	**468**
CCIRS hedging transactions	-	4	-	-
IRS hedging transactions	-	193	-	-
Currency forwards – EUR	-	7	-	1,565
HEDGING DERIVATIVES	-	**204**	**-**	**1,565**
Investment fund participation units	-	31	-	-
OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	**31**	-	-

Derivatives are presented in Note 24.1.2 to these financial statements.

Terms of individual derivative instruments and other receivables measured at fair value through profit or loss.

	As at 31 December 2024		As at 31 December 2023		Maturity
	Value in financial statement in PLN	Notional amount in original currency	Value in financial statement in PLN	Notional amount in original currency	as at 31 December 2024
CCIRS – EUR to PLN	36	144	4	144	July 2029
Currency forward, purchase – EUR	2	165	7	330	December 2026
Currency forward, sale – EUR		15		4	April 2026
IRS – interest rate PLN	176	375	193	500	December 2027
		250		313	June 2028
		250		312	December 2028
		1,000		1,000	May 2029
		400		400	May 2026
Commodity forwards, gas purchase – PLN	176	1,359	-	-	2026
Commodity forwards, gas sale – PLN		24		-	2025
Commodity forwards, CO_2 purchase – EUR	10	101	-	-	December 2026
Commodity forwards, CO_2 sale – EUR		14		-	March 2026
Commodity swaps, purchase – USD	12	1	65	11	January 2025
Commodity swaps, sale – USD		51		83	March 2026
Long-term purchase contracts – USD	31	13	78	-	January 2025
Long-term sale contracts – USD		3		271	December 2025
Currency forward, purchase – USD	-	-	3	2	-
Currency forward, sale – USD		-		14	-
Options	2	2	13	4	November 2026
Fund participation units	34	23	31	23	n/d
Financial assets	**479**	**-**	**394**	-	
Currency forward, purchase – EUR	383	4,300	1,565	5,184	December 2026
Currency forward, purchase – EUR	2	5	10	20	October 2025
Currency forward, purchase – EUR	2	12	1	13	November 2027
Currency forward, purchase – EUR	2	17	2	11	October 2026
Currency forward, purchase – USD	1	8	2	8	July 2026
Commodity forwards, gas purchase – PLN	46	-	-	-	-
Commodity forwards, gas sale – PLN		488		-	2025
Commodity swaps, purchase – USD	11	1	14	41	December 2025
Commodity swaps, sale – USD		31		1	March 2026
Currency forward, sale – USD	2	-	9	33	July 2025
		28		-	
Long-term purchase contracts – USD	1	-	19	795	-
Long-term sale contracts – USD		1		94	January 2025
Embedded derivatives in commercial contracts	212	269	410	337	December 2030
Deal Contingent Swaps (DCS)*	599	2,429	-	-	December 2049
Inflation swaps – EUR*	15	833	-	-	January 2028
Commodity swaps – EUR*	15	46	-	-	March 2027
Currency forward, purchase – EUR	-	-	1	3	-
Financial liabilities	**1,291**		**2,033**		

* The notional amount is variable over the hedging period; the amount presented in the table represents the maximum notional value.

24.4 Influence of the particular categories of financial instruments on finance income and costs.

Year ended 31 December 2024	Cash and cash equivalents	Other financial assets	Shares, interests and other capital instruments	Financial instruments measured at fair value	Hedging derivatives	Other financial liabilities	TOTAL
Dividends	-	-	3	-	-	-	3
Interest income / (expense)	209	172	-	-	76	(735)	(278)
Revaluation	-	12	10	196	30	-	248
Reversal / (Establishment) of write-downs	-	11	(1)	-	-		10
Foreign exchange differences	(15)	(97)	-	-	-	59	(53)
Gain/(Loss) on disposal of investments	-	-	(7)	(10)	-	-	(17)
TOTAL PROFIT / (LOSS)	**194**	**98**	**5**	**186**	**106**	**(676)**	**(87)**

Year ended 31 December 2023	Cash and cash equivalents	Other financial assets	Shares, interests and other capital instruments	Financial instruments measured at fair value	Hedging derivatives	Other financial liabilities	TOTAL
Dividends	-	-	1	-	-	-	1
Interest income / (expense)	504	653	-	-	160	(858)	459
Revaluation	-	(1)	-	(28)	-	(13)	(42)
Reversal / (Establishment) of write-downs	-	(482)	(27)	-	-		(509)
Foreign exchange differences	(32)	(1,075)	-	-	-	1,061	(46)
Gain/(Loss) on disposal of investments	-	-	24	(3)	-	(1)	20
TOTAL PROFIT / (LOSS)	**472**	**(905)**	**(2)**	**(31)**	**160**	**189**	**(117)**

24.5 Security for payment of receivables and payables

To secure the payment of loans, the Group uses various hedging instruments and their combinations. The most common forms include assignment of receivables agreements, promissory notes, and declarations of voluntary submission to enforcement. In addition, the Group makes use of powers of attorney for bank accounts and assignments of receivables.

As at the reporting date, assets with the following carrying amounts served as collateral for liabilities or contingent liabilities:

	As at 31 December 2024	As at 31 December 2023
Property, plant and equipment	45	45
Trade receivables	112	110
Cash	1	-
TOTAL VALUE OF ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES	**158**	**155**

Companies within the PGE CG, in accordance with the IRGiT regulations, are required to maintain a specified balance of cash on accounts held with PKO BP. Client funds of PGE Dom Maklerski S.A. are held with PKO BP, Santander Bank Polska, and Bank PeKaO S.A. The total amount of cash reported as restricted cash due to these two reasons amounted to PLN 207 million as at 31 December 2024 (PLN 419 million in the comparative period).

In addition, financial receivables include funds held in the Mine Decommissioning Fund account in the amount of PLN 262 million (PLN 240 million in the comparative period).

As described in Note 32.6, on 29 January 2025, loan agreements were concluded along with related security agreements to finance the construction of the Baltica 2 Project. The collateral includes, among others: financial pledges on bank accounts of PGE Baltica 6 sp. z o.o., registered pledges on the assets of PGE Baltica 6 sp. z o.o., and a registered pledge on the shares of PGE Baltica 6 sp. z o.o. held by PGE Baltica 2 sp. z o.o. As at 31 March 2025, PGE Group's debt secured against the assets of companies participating in the Baltica 2 Project amounted to EUR 46 million.

25. Objectives and principles of financial risk management

The primary objective of financial risk management in the PGE Capital Group is to support the process of creating the Group's value for shareholders and the implementation of the Group's business strategy by reducing and maintaining financial risk at the level acceptable to the Group's management.

Responsibility for managing financial risk within the PGE Capital Group lies with the Management Board of PGE S.A. The Management Board specifies appetite for risk, which is understood as an acceptable level of deterioration of the PGE Capital Group's financial results, taking into consideration its current and planned economic and financial position. The Management Board also decides on the allocation of risk appetite to specific business areas.

The organisation of the PGE Capital Group's financial risk management function is based on the principle of organisational independence of an entity responsible for risk measurement and control at the PGE CG (PGE S.A.'s Risk and Insurance Department) of business units being risk owners. Risk reports are submitted directly to the Risk Committee of the PGE CG, Audit Committee of the Supervisory Board of PGE S.A. and the Management Board of PGE S.A.

The PGE CG has a Risk Committee that exercises supervision of the financial and corporate risk management process in the Group. The Risk Committee monitors the PGE CG's exposure levels, sets limits for significant financial risks, accepts methodologies in financial risk resulting from commercial and financial activities, permits expansions of activities into new business areas and makes key decisions regarding risk management.

Financial risk is managed at the Group level in an integrated manner. This process is carried out or supervised within the Corporate Centre of the PGE CG, which serves as the centre of competence in this area. Exposures to risk faced by the particular business areas are examined on a comprehensive basis, taking into account interdependencies among exposures, the possibility of using natural hedging effects and their overall impact on the PGE CG's risk profile and financial position.

The financial risk management model includes the following elements:

- collecting and analysing market and risk exposure data broken down by individual financial risk categories;
- measuring financial risk, for example by means of Value-at-Risk (VaR) and Profit-at-Risk (PaR), for individual risk factors and jointly for material risk factors;
- managing the consolidated exposure of the PGE Capital Group in relation to the capital at risk and the risk limits established on its basis (among others, by defining and implementing hedging strategies).

In the key areas where financial risks occur, the PGE Capital Group implemented internal regulations setting out the principles for the management of such risks.

The PGE Capital Group is exposed to various types of financial risks, for example:

- market risk (commodity risk, interest rate risk, foreign exchange risk);
- liquidity risk;
- credit risk.

The PGE Capital Group's exposure to individual financial risks depends on the extent of its activities in the commodity and financial markets.

25.1 Market risk

The market risk comprises the commodity risk, the interest rate risk, and the currency risk.

The main objective of market risk management in the PGE Capital Group is to protect financial results, maintain the risk resulting from the conducted commercial and financial activities at the acceptable level and support the implementation of the business strategy as well as maximise the Group's value for shareholders.

The procedures implemented in the PGE Capital Group for the purpose of managing individual categories of market risk relating to commercial and financial activities trading and financial activities specify, among other things:

- the purpose, scope and principles of risk management;
- responsibility for risk management;
- management and operational processes within the framework of risk management for commercial activities in the electricity and related products markets and for financial activities,
- the ways of identifying sources of risk exposure;
- acceptable instruments for hedging risk exposure;
- methods for measuring and monitoring risk exposure.

The market risk management principles applicable in the PGE Capital Group further define how the appetite for market risk is determined, how market risk exposures are limited and what the hedging mechanisms in the event of limit breaches are.

25.1.1 Commodity risk

Commodity risk is related to the possibility of deterioration in the financial result in trade due to changes in commodity prices.

The exposure of Group companies to commodity risk relates to the following commodity markets:

- electricity;
- CO_2 emission allowances;
- property rights to certificates of origin for electricity;
- guarantees of origin;
- hard coal;
- natural gas;
- biomass and other fuels.

The PGE CG includes lignite mines that supply fuel to two power plants operating within the Group; therefore, the Group's exposure to price risk in this area is not material.

Selected key types of commodity risk (including currency risk) to which the PGE Capital Group is exposed (excluding the risk mitigation strategies applied)

Risk	Characteristics	Examples of Exposure Sources
Electricity price risk	• The PGE CG holds a natural long position due to its generation assets and the inability to sell production at predetermined prices.	• Margin level affected by changes in electricity prices and electricity generation costs; • Prices of electricity sales contracts with retail customers; • Prices of electricity purchase/sale transactions on the wholesale market.
Price risk related to property rights to certificates of origin for electricity	• The PGE CG has a net short position resulting from the obligation to redeem certificates of origin due to electricity sales to end users.	• Prices of purchase/sale transactions of property rights on the wholesale market.
CO_2 emission allowance price risk	• Risk related to changes in CO_2 allowance prices in EUR and EUR/PLN exchange rate fluctuations; • The PGE CG holds a short position due to electricity generation in units participating in the EU ETS.	• Deviations from the planned use of individual generation sources with varying emission levels; • Prices of CO_2 allowance purchase/sale transactions on the wholesale market.
Fuel price risk for electricity generation (including hard coal, natural gas, biomass, fuel oil)	• Risk related to changes in commodity prices, including those denominated in (or indexed to) foreign currencies, and foreign exchange rate fluctuations; • The PGE CG holds a short position due to the need to purchase fuels on the market.	• Prices of fuel purchase/sale transactions on the wholesale market.

Long-term volume risk	• Risk related to changes in electricity demand in the National Power System and the long-term risk of PGE CG generation units being replaced by lower-cost generation units (particularly renewable energy sources).	• Macroeconomic conditions, especially in energy-intensive sectors; • Technological developments, particularly in energy efficiency and the growth of distributed energy (RES); • Climate change; • ESG-related regulations, including energy sector preferences; • Level of integration with foreign energy systems.
Short-term volume risk	• Risk related to deviations from the planned electricity sales volume due to changes in customer demand or short- to medium-term replacement of PGE CG generation units with lower-cost generation units (particularly RES).	• Customer switching trends in the retail market; • Regulatory environment, including rules for switching suppliers; • Short- and medium-term weather changes; • Short-term changes in renewable energy supply availability; • Demand forecasting model risk and quality of source data used for forecasting.

The PGE CG pursues a strategy of hedging key exposures in the area of trade in electricity and related commodities that is aligned with its medium-term risk appetite. The level of open position hedging is determined taking into account the volatility of electricity and related commodity prices, the liquidity of individual markets, the Group's financial condition, and the objectives set out in the adopted Group strategy.

The PGE Capital Group's exposure to commodity risk (in terms of raw materials) is defined by the volume of external purchases of individual raw materials, as presented in the table below:

COMMODITY	Year ended 31 December 2024		Year ended 31 December 2023	
	External purchases (thousand tonnes)	Purchase costs (PLN million)	External purchases (thousand tonnes)	Purchase costs (PLN million)
Hard coal	7,461	3,978	10,656	8,942
CO_2 emission allowances for own use	59,545	24,854	81,305	28,605
Natural gas [thousand m^3]	1,489,403	3,384	1,142,362	2,584
Biomass	723	203	789	386
Fuel oil	87	247	64	188
TOTAL	**-**	**32,666**	**-**	**40,705**

25.1.2 Interest rate risk

Interest rate risk is related to the possibility of deterioration in the financial result due to changes in interest rates.

The PGE Capital Group's exposure to interest rate risk arises mainly from the fact that the Group companies finance their operating and investing activities by obtaining funds based on a variable interest rate, primarily in the form of credits, loans and bonds issued, reverse factoring in domestic and foreign currencies, as well as from investments in financial assets bearing variable interest rates.

The PGE Capital Group controls interest rate risk through a system of limits relating to the maximum potential loss resulting from interest rate fluctuations in respect of the Group companies' consolidated exposure to interest rate risk. A measure of interest rate risk is based on the size-at-risk methodology, understood as the product of the net interest rate position and the value of a potential change in market interest rates.

In addition, the PGE Capital Group defines a hedging strategy in relation to the Group's consolidated exposure to interest rate risk, based on hedge ratios subject to approval by the Risk Committee and the Management

Board of PGE S.A. The implementation of hedging strategies and the level of interest rate risk are subject to monitoring and are reported regularly to the Risk Committee.

PGE Group companies enter into enter into interest rate derivative transactions only for the purpose of hedging identified risk exposures. The regulations in force in the PGE Capital Group do not allow, with regard to interest rate derivative transactions, entering into speculative transactions, i.e. transactions which would be aimed at generating additional profits resulting from changes in the level of interest foreign currency exchange rates, while exposing the Group to the risk of incurring a potential loss on this account.

Bonds issued in the amount of PLN 1.4 billion under the PLN 5 billion bonds issue programme bear interest at a variable rate in PLN. Payments relating to these bonds are hedged by IRS instruments.

The Group has also committed financing in the form of a long-term credit in the amount of PLN 878 million under the Credit Agreements entered into, respectively, on 17 December 2014 and 4 December 2015 with BGK and the Credit Agreement with the EBRD entered into on 7 June 2017; the credits described above are variable interest rate instruments in PLN. Payments relating to these credits are hedged by IRS instruments.

In the case of contingent instruments (DCS as well as commodity and inflation swaps), the value of exposure to interest rate risk is represented by their carrying amounts.

The PGE Capital Group's exposure to interest rate risk and the concentration of this risk by currency:

		Type of interest rate	As at 31 December 2024	As at 31 December 2023
Derivatives – assets exposed to interest rate risk	PLN	Fixed	-	-
		Variable	354	206
	Other currencies	Fixed	-	-
		Variable	91	157
Deposits, cash, debt securities, leasing	PLN	Fixed	3,306	4,980
		Variable	25	5
	Other currencies	Fixed	1,319	1,292
		Variable	-	-
Derivatives – liabilities exposed to interest rate risk	PLN	Fixed	-	-
		Variable	(258)	(410)
	Other currencies	Fixed	-	-
		Variable	(1,033)	(1,623)
Loans and bonds issued, leasing	PLN	Fixed	(5,815)	(5,886)
		Variable	(8,659)	(8,252)
	Other currencies	Fixed	(597)	(608)
		Variable	(130)	(151)
Net exposure	PLN	Fixed	(2,509)	(906)
		Variable	(8,538)	(8,451)
	Other currencies	Fixed	722	684
		Variable	(1,072)	(1,617)

Variable interest rates of financial instruments are reviewed in periods shorter than one year. Interest on financial instruments with fixed rates is constant during the whole period until their maturity.

25.1.3 Currency risk

Currency risk is related to the possibility of deterioration in the financial result due to changes in currency exchange rates.

The main sources of the PGE Capital Group's exposure to currency risk are set out below:

- investment expenditure denominated/indexed to foreign exchange rates;
- debt denominated in foreign currencies;
- sales and purchases of electricity denominated in foreign currencies (if any);
- charges denominated in or indexed to foreign currencies for the purchase of transmission capacity (where applicable);
- transactions involving the purchase and sale of CO_2 emission allowances and gas, as well as purchases of hard coal and other fuels, denominated in or indexed to foreign currencies;

- expenses related to the ongoing operation of production assets denominated in or indexed to foreign currencies;
- investment financial assets denominated in foreign currencies;
- other operating cash flows denominated in or indexed to foreign currencies.

The Group manages currency risk through a system of limits relating to the maximum potential loss resulting from exchange rate fluctuations in respect of the consolidated currency risk exposure of Group companies. The currency risk measure is based on the size-at-risk methodology understood as a product of the amount of the absolute currency position and the value of a potential change in exchange rates.

In addition, the PGE CG defines a hedging strategies in relation to the Group's consolidated exposure to the Group's currency risk, based on hedge ratios subject to approval by the Risk Committee and the Management Board of the Company. The implementation of hedging strategies and the level of currency risk are subject to monitoring and are reported regularly to the Risk Committee.

PGE CG companies enter into currency exchange rate derivative transactions only for the purpose of hedging identified risk exposures.

The regulations in force in the PGE Capital Group do not allow, with regard to currency exchange rate derivative transactions, entering into speculative transactions, i.e. transactions which would be aimed at generating additional profits resulting from changes in the level of foreign currency exchange rates, while exposing the Group to the risk of incurring a potential loss on this account.

In view of the adopted currency risk management strategy based on minimising and hedging currency risk exposures, the cost of servicing liabilities in foreign currencies, in the medium and long term, under conditions of escalating risks related to Russia's aggression in Ukraine, did not change significantly, as a result of hedging activities implemented in accordance with the previously adopted hedging strategies.

The Group's exposure to currency risk by class of financial instruments

	Total value in the report in PLN	CURRENCY POSITION AS AT 31 DECEMBER 2024					
		EUR		DKK		USD	
		currency	PLN	currency	PLN	currency	PLN
Trade receivables and other financial receivables	8,220	43	184	-	-	-	-
Cash and cash equivalents	4,363	297	1,268	89	51	-	-
Derivatives, of which:	479	388	1,658	-	-	57	234
Measured at fair value through profit or loss	*45*	-	-	-	-	*57*	*234*
Hedging instruments	*400*	*388*	*1,658*	-	-	-	-
Other assets measured at fair value through profit or loss	*34*	-	-	-	-	-	-
FINANCIAL ASSETS		**728**	**3,110**	**89**	**51**	**57**	**234**
Credits, loans, bonds and leases	13,192	140	597	-	-	32	130
Trade and other payables measured at amortised cost	8,377	38	164	-	-	33	134
Derivatives, of which:	1,291	4,482	19,148	-	-	67	275
Measured at fair value through profit or loss	*233*	*34*	*145*			*67*	*275*
Hedging instruments	*1,058*	*4,448*	*19,003*	-	-	-	-
FINANCIAL LIABILITIES		**4,660**	**19,909**	**-**	**-**	**132**	**539**

The book value of derivative instruments is the result of valuation to fair value. The value of exposure to currency risk for forwards represents their nominal amount in a given currency. The value of exposure to currency risk for CCIRSs represents the value of discounted cash flows of the currency leg in a given currency.

	Total value in the report in PLN	CURRENCY POSITION AS AT 31 DECEMBER 2023					
		EUR		DKK		USD	
		currency	PLN	currency	PLN	currency	PLN
Trade receivables and other financial receivables	10,770	184	802	-	-	-	-
Cash and cash equivalents	6,033	283	1,229	108	63	-	-
Derivatives, of which:	394	478	2,078	-	-	355	1,396
Measured at fair value through profit or loss	*159*	-	-	-	-	*355*	*1,396*
Hedging instruments	*204*	*478*	*2,078*	-	-	-	-
Other assets measured at fair value through profit or loss	*31*	-	-	-	-	-	-
FINANCIAL ASSETS		**945**	**4,109**	**108**	**63**	**355**	**1,396**
Credits, loans, bonds and leases	14,897	140	608	-	-	38	151
Trade and other payables measured at amortised cost	8,133	64	278	-	-	-	-
Derivatives, of which:	2,033	5,231	22,745	-	-	782	3,076
Measured at fair value through profit or loss	*468*	*47*	*205*			*782*	*3,076*
Hedging instruments	*1,565*	*5,184*	*22,540*	-	-	-	-
FINANCIAL LIABILITIES		**5,435**	**23,631**	**-**	**-**	**820**	**3,227**

The book value of derivative instruments is the result of valuation to fair value. The value of exposure to currency risk for forwards represents their nominal amount in a given currency. The value of exposure to currency risk for CCIRSs represents the value of discounted cash flows of the currency leg in a given currency.

25.2 Liquidity risk

Financial liquidity risk concerns a situation in which an entity is not able to fulfil its (current or non-current) payment obligations at their maturity dates.

The main objective of liquidity risk management in the Group is to ensure and maintain its companies' ability to meet its current and future financial liabilities, taking into account the cost and ability to obtain them.

In the Group, managing liquidity risk consists, among other things, in planning and monitoring cash flows in both the short- and long-term perspectives with respect to the conducted operating, investing, and financing activities and undertaking actions aimed at ensuring resources for the activities of the PGE Capital Group and, simultaneously, minimising the costs of such activities.

Periodic planning and monitoring of PGE CG's liquidity makes it possible to secure funds for any liquidity gaps by allocating funds among the Group companies (the cash pooling) as well as using external financing, including overdraft facilities and operating loans.

Long-term liquidity risk management allows the Group to determine its borrowing capacity and supports decisions regarding the financing of long-term investments.

The PGE Capital Group uses a central financing model according to which, as a matter of principle, external financing agreements are entered into by PGE S.A. Its subsidiaries within the PGE Capital Group take advantage of various intra-group financing sources such as loans, bonds, bank account consolidation agreements or real cash pooling agreements.

The Group uses various sources of financing, such as: overdraft facilities, working capital and term loans, investment loans, domestic bond issues and Eurobond issues, as well as factoring (both reverse and full factoring).

Below are the entities providing payables factoring services for the Group as at 31 December 2024:

Factor	Limit in PLN million As at 31.12.2024	Limit in PLN million As at 31.12.2023	Limit period
Santander Factoring (Agent), including:	1,056	1,056	
Santander Factoring	*576*	*576*	*July 2025*
BGK	*300*	*300*	*July 2025*
Credit Agricole	*80*	*80*	*July 2025*
Caixa	*100*	*100*	*July 2025*
Citi Bank Handlowy	600	400	March 2025
PKO Faktoring	100	100	September 2024*
Pekao Faktoring	460	460	October 2025
TOTAL	**2,216**	**2.016**	

** As at 31 December 2024, the limit period was not extended, but this only resulted in the inability to finance new invoices. On 8 January 2025, a limit until 31 October 2025 was submitted and the limit increased to PLN 284 million.*

The payment period for the obligations covered by the factoring in 2024 and 2023 is 150 days.

As part of its liquidity assessment, the Group monitors the net debt / EBITDA ratio at a level that ensures the maintenance of investment-grade credit ratings, and thereby the ability to finance the Group's investment programme. The ratio is calculated on the basis of the consolidated statements of the PGE CG. The value of the debt ratio is presented in note 19 of these financial statements.

The table below shows the maturity of the Group's financial liabilities by reporting date based on contractual undiscounted payments.

For commodity derivatives, the table shows net flows – payments have been reduced by proceeds from the realisation of contracts.

AS AT 31 DECEMBER 2024	Value in statement	Total payments	Up to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Credits and loans	9,638	13,044	2,098	879	5,000	5,067
Bonds issued	2,007	2,445	-	118	2,327	-
Trade payables and other financial liabilities	8,377	8,377	6,816	1,354	200	7
Lease liabilities	1,547	2,707	41	123	518	2,025
Derivative instruments	1,062	2,372	59	306	1,296	711
TOTAL	**22,631**	**28,945**	**9,014**	**2,780**	**9,341**	**7,810**

AS AT 31 DECEMBER 2023	Value in statement	Total payments	Up to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Credits and loans	11,394	14,388	3,933	854	3,931	5,670
Bonds issued	2,017	2,574	-	118	820	1,636
Trade payables and other financial liabilities	8,133	8,133	6,314	1,292	515	12
Lease liabilities	1,486	3,427	45	136	571	2,675
Derivative instruments	1,890	3,742	943	2,542	168	89
TOTAL	**24,920**	**32,264**	**11,235**	**4,942**	**6,005**	**10,082**

25.3 Credit risk

Credit risk is connected with a potential credit event which may have the form of a business partner's insolvency, partial payment of liabilities, significant delay in the payment of liabilities or any other default with respect to contractual conditions (in particular a failure to make a delivery of or to accept goods under a concluded contract or to pay damages and contractual penalties).

PGE Capital Group companies are exposed to credit risk in the following areas:

- Core operations – credit risk arises, among other things, from transactions involving the purchase and sale of electricity and heat, trading in property rights to energy origin certificates and CO_2 emission allowances, as well as the purchase and sale of fuels. This includes, for example, the potential failure of the Group's counterparties or customers to make payments on time or to fulfil their delivery obligations towards PGE Group companies, particularly where the fair value of the transaction is positive from the Group's perspective;
- Investment activity – credit risk arises from transactions related to investment projects, the success of which depends on the financial standing of the Group's suppliers;
- The investment of companies' free cash – credit risk occurs in consequence of PGE companies' investing free cash in financial instruments bearing credit risk, i.e. financial instruments other than those issued by the State Treasury.

To monitor credit risk in operating activities, the Group's key trading companies use an internal rating methodology based on models developed with the support of an external provider.

There is no concentration of credit risk related to trade receivables within the PGE CG. The share of the three largest counterparties in the total trade receivables balance amounts to approximately 10%.

The carrying amount of financial assets exposed to credit risk is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Trade receivables and other financial receivables	8,220	10,770
Cash and cash equivalents	4,363	6,033
Derivatives – assets	479	394
FINANCIAL ASSETS EXPOSED TO CREDIT RISK	**13,062**	**17,197**

25.3.1 Trade receivables Other loans and financial receivables

SIGNIFICANT ACCOUNTING PRINCIPLES

Financial receivables

Financial receivables, including trade receivables, are measured as at the date they arise at fair value, and then at amortised cost using the effective interest rate, including write-downs for expected credit loss.

The Group applies simplified methods of valuation of receivables measured at amortised cost if it does not distort the information contained in the statement of financial position, in particular when the period until the payment of receivables is not long.

The Group does not monitor changes in the level of credit risk over the life of the instrument. The expected credit loss is estimated up to the maturity of the instrument.
The Companies apply the following principles for estimating and recognising impairment write-downs of financial receivables:

- for receivables from significant customers covered by the credit risk assessment procedure, the Companies estimate expected credit losses on the basis of the model used to assess this risk based on ratings allocated to particular business partners; ratings are assigned the likelihood of bankruptcy adjusted by the impact of credit default swap (CDS);
- for receivables from mass customers or customers not covered by the credit risk assessment procedure, the Companies estimate expected credit losses on the basis of an analysis of the probability of incurring credit losses in the particular ageing ranges;
- in justified cases, the Companies may assess the amount of a write-down on an individual basis.

Any impairment write-downs is recognised under operating expenses or under financial costs, as appropriate. Long-term receivables are presented at present value (discounted amount).

The ratios adopted for estimating expected losses calculated according to the provision matrix:

	31 December 2024		31 December 2023	
	Write-down amount	Write-down percentage	Write-down amount	Write-down percentage
Receivables not overdue	929	0.0 – 4.07/ 100	985	0.0 – 98.0/ 100
Overdue < 30 days	8	0.0 – 7.2/ 100	5	0.0 – 1.1/ 100
Overdue 30-90 days	404	0.0 – 13.12/ 100	15	0.0 – 13.2/ 100
Overdue 90-180 days	76	100.0	41	100.0
Overdue 180-360 days	196	100.0	66	100.0
Overdue > 360 days	1,038	100.0	1,122	100.0
TOTAL FINANCIAL ASSETS	**2,651**		**2,234**	

The write-down relates to receivables written down according to the matrix and on an individual basis. The individual write-down mainly concerns receivables from PKP Cargo S.A., which is undergoing remedial proceedings. Receivables arising prior to the commencement of the proceedings are impaired at 50%, while receivables in respect of interest are impaired at 100%. Since the initiation of the sanation proceedings, PKP Cargo S.A. has been regularly settling its liabilities.

The ratios adopted for estimating expected losses calculated according to the key customers model:

Rating level	31 December 2024		31 December 2023	
	Write-down amount	Write-down percentage	Write-down amount	Write-down percentage
Highest AAA to AA – according to S&P and Fitch and Aaa to Aa3 according to Moody's	-	-	-	-
Medium-high A+ to A- according to S&P and Fitch and A1 to A3 according to Moody's	<1	0.01 – 0.02	-	-
Medium BBB+ to BBB- according to S&P and Fitch and Baa1 to Baa3 according to Moody's	<1	0.05 / 0.11	<1	100.0
TOTAL FINANCIAL ASSETS	**<1**		**<1**	

Trade receivables typically have payment terms of 14–21 days. In 2024, the Group waited on average 40 days for the payment of receivables. These receivables mainly relate to the sale of electricity and distribution services. According to the management of the PGE Capital Group, there are no additional risks of non-payment of receivables beyond those already covered by impairment allowances.

The Group mitigates and controls credit risk related to commercial transactions in accordance with unified credit risk management principles implemented across all significant companies within the PGE Capital Group. For commercial transactions that, due to their high value, could result in substantial losses in the event of counterparty default, a counterparty assessment is carried out prior to concluding the transaction. This assessment includes a financial analysis, a review of the counterparty's credit history, and other relevant factors. Based on the assessment, PGE CG assigns an internal rating or uses a rating assigned by a reputable independent rating agency. Based on the rating, a limit is set for the counterparty. Entering into contracts that would increase exposures above limits set within the PGE Capital Group generally requires the establishment of security in accordance with accepted credit risk management principles. The level of used limits is monitored and reported on a regular basis, and in the event of material overruns, the units responsible for counterparty risk management are required to take action to eliminate them. The PGE Capital Group monitors receivables on an ongoing basis and applies early debt collection procedures, taking into account deadlines arising from energy law and the high rate of repayment for short-term overdue receivables. The Group also cooperates with credit information agencies and debt collection companies.

The credit risk on trade receivables on a geographical basis is presented in the table below:

	31 December 2024		31 December 2023	
	Balance of receivables	Share %	Balance of receivables	Share %
Poland	6,471	100%	6,735	100%
Germany	-	0%	1	0%
France	2	0%	-	-
TOTAL	**6,473**	**100%**	**6,736**	**100%**

Aging of receivables and impairment allowances

As at 31 December 2024, a portion of financial assets was subject to impairment allowances. The table below presents changes in impairment write-downs for these classes of financial instruments:

2024	Trade receivables	Other financial receivables	Bonds	Other financial assets
Impairment write-down as at 1 January	**(488)**	**(885)**	**(861)**	**(2,234)**
Utilisation of write-down	27	14	-	41
Reversal of write-downs	144	169	43	356
Creation of write-downs	(287)	(529)	-	(816)
Other changes	(5)	7	-	2
Impairment loss as at 31 December	**(609)**	**(1,224)**	**(818)**	**(2,651)**
Value before impairment write-down	**7,082**	**2,971**	**818**	**10,871**
Net value of item (book value)	**6,473**	**1,747**	**-**	**8,220**

Most of the impairment allowances for trade receivables relate to the Supply and Railway Energy Services segments. As at 31 December 2024, the total amount of impairment write-downs for trade receivables in companies from these segments amounted to PLN 590 million, compared to PLN 475 million as at 31 December 2023.

Impairment write-downs on other financial receivables mainly concern penalties charged to the contractor of Unit 7 at the Turów Power Plant, which have been fully impaired. In the current period, the write-down for this item amounted to PLN 357 million. At the same time, due to the offsetting of part of the receivables against the contractor's claims, a portion of the impairment write-down in the amount of PLN 135 million was reversed. A more detailed description can be found in Note 27.3 of these financial statements.

2023	Trade receivables	Other financial receivables	Bonds	Other financial assets
Impairment write-down as at 1 January	**(243)**	**(814)**	**(386)**	**(1,443)**
Utilisation of write-down	8	8	-	16
Reversal of write-downs	99	48	-	147
Creation of write-downs	(162)	(108)	(475)	(745)
Change in the composition of the CG	(222)	(16)	-	(238)
Other changes	32	(3)	-	29
Impairment loss as at 31 December	**(488)**	**(885)**	**(861)**	**(2,234)**
Value before impairment write-down	**7,224**	**4,919**	**(861)**	**13,004**
Net value of item (book value)	**6,736**	**4,034**	**-**	**10,770**

An ageing analysis of trade receivables and other loans and receivables, including impairment allowances, is presented below:

	31 December 2024			31 December 2023		
	Gross	Impairment write-downs	Net book value	Gross	Impairment write-downs	Net book value
Receivables not overdue	8,556	(929)	7,627	11,269	(985)	10,284
Overdue < 30 days	370	(8)	362	350	(5)	345
Overdue 30-90 days	469	(404)	65	145	(15)	130
Overdue 90-180 days	115	(76)	39	41	(41)	-
Overdue 180-360 days	320	(196)	124	66	(66)	-
Overdue > 360 days	1,041	(1,038)	3	1,133	(1,122)	11
Total overdue receivables	2,315	(1,722)	593	1,735	(1,249)	486
Other financial assets	10,871	(2,651)	8,220	13,004	(2,234)	10,770

As at 31 December 2024, overdue receivables exceeding 90 days that were not subject to an impairment allowance comprised trade receivables amounting to PLN 147 million from the PKP Cargo Group, which is undergoing restructuring proceedings.

The total net amount of receivables from the GK PKP Cargo S.A. as at 31 December 2024 was PLN 204 million, while the total impairment allowance recognised amounted to PLN 149 million (PLN 121 million charged to other operating expenses and PLN 28 million to finance costs).

25.3.2 Deposits, cash and cash equivalents

The Group manages the credit risk related to cash deposits by diversifying the group of banks where such deposits are held. All entities with which the PGE Capital Group enters into deposit transactions conduct business activities in the financial sector. They are exclusively banks registered in Poland or conducting business activities in Poland in the form of branches of foreign banks with at least investment grade ratings and adequate liquidity ratings, considerable equity capital as well as strong and stable market positions. The share of the three main banks with which PGE CG holds the largest cash balances at 31 December 2024 was approximately 71% (72% in the comparative period).

25.3.3 Derivative instruments

All entities with which the PGE Capital Group enters into derivative transactions conduct business activities in the financial sector. These are banks and entities regulated by financial regulators, with investment grade ratings, and with sufficient equity capital and a strong and established market position. As at the reporting date, the Group was a party to derivative transactions described in detail in Note 24.1.2 to these consolidated financial statements.

25.3.4 Guarantees and sureties granted

Guarantees and sureties provided by the PGE Capital Group are presented in Note 27 to these consolidated financial statements.

25.4 Climate risk

The PGE Capital Group is aware of the impact of its activities on the climate, as well as the risks of climate change to the Group's operations. This interdependence generates both risks and development opportunities. Stakeholders' expectations regarding the reporting of the impact of operations on the climate, as well as dependence on it, are therefore understandable, with climate risk management being recognised as a key element of strategic management with a direct impact on financial aspects.

Chart: Interdependencies between climate and PGE Group's activities

The PGE Capital Group focuses not only on risks but also on opportunities in order to ensure resilience to threats and to increase the Group's sustainable revenues. The PGE Capital Group has undertaken a range of activities aimed at achieving climate neutrality by 2050.

The Group also stepped up its efforts to meet regulatory requirements, both national and European. For the year 2024, a Sustainability Statement has been prepared, the formal basis of which is Directive (EU) 2022/2464 of the European Parliament and of the Council (Corporate Sustainability Reporting Directive, CSRD), the European Sustainability Reporting Standards (ESRS), and the Accounting Act. Information concerning ESRS disclosures is included in the Management Board Report on the operations of the PGE Capital Group. In addition, the PGE Capital Group is also required to disclose the extent to which its business activities can be considered environmentally sustainable. This obligation arises from Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as well as from Delegated Regulations on the establishment of a framework to facilitate sustainable investment.

Issues related to climate risk are subject to the rules and guidelines arising from the corporate risk management process. The body responsible for overseeing the corporate risk management process within the PGE Group, including climate risk, is the Risk Committee, as is the case for financial risks. The establishment of the Risk Committee reporting directly to the Management Board, reporting directly to the Management Board ensures the supervision over the effectiveness of the risk management processes in the Group. This positioning of the risk function allows for an independent assessment of individual risks, their impact on the PGE Group, as well as the mitigation and control of significant risks through dedicated instruments.

The assessment of climate and environmental risks is carried out on the basis of the General Procedure for Corporate Risk Management. In the PGE Group, climate-related risks are analysed both in the context of the impact of climate change on business and the impact of business on climate change. The identification and analysis of climate-related risks, along with the continuous improvement of environmentally friendly solutions and control tools, enable effective management and mitigation of climate impact while safeguarding the financial performance of PGE CG. Solutions developed by the PGE Group facilitate aim to ensure its development and sustainable transformation in line with climate requirements and interests of all stakeholders.

Chart: Interdependencies between climate and PGE Group's activities

Climate-related issues are assessed centrally at PGE S.A., taking into account all types of activities conducted by the Capital Group and its constituent entities. This means that the assessment result is provided as a consolidated outcome at the level of the PGE Capital Group.

The approach to climate risk issues is inspired by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); however, the adopted method for the inventory and assessment of risks is an internal concept developed by PGE.

In 2024, the PGE Group once again participated in the international environmental impact survey – The Carbon Disclosure Project (CDP) (https://www.cdp.net/en). The Group responded to enquiries from global investors regarding the impact of its operations on the climate, water and forest resources, and analysed both the risks and the opportunities associated with them.

There is an interdependence between climate-related risks and opportunities for business. Any business is affected by two types of climate risks:

- physical risks, associated with the physical effects of climate change, i.e. actual threats in the form of extreme weather events, droughts, and floods,
- transition risks, related to the shift towards a low-emission and climate-resilient economy, concerning compliance with legal requirements, the implementation of new technologies, or impacts on the Company's reputation.

At the same time, the changing climate and climate change mitigation activities aimed at mitigating and adapting to its effects provide new opportunities and chances for business development. Therefore, the PGE Group focuses on not only risks but also opportunities to ensure that it is resilient to risks and increases sustainable profits.

Table: Climate-related opportunities in the PGE Group

Area	Example
Resource efficiency	Work on solutions for waste management and the recovery of valuable materials from wind turbine blades.
New energy sources	Investments in: offshore and onshore wind farms, photovoltaic farms, construction of zero-emission hybrid electricity storage facilities.
New products	Expansion of the product portfolio to include PRO-ECO initiatives – products aligned with low-emission heating systems, development of products/offers promoting low-emission actions, keeping pace with changing consumer preferences, development of offshore wind farm insurance solutions.

Table: Climate-related threats in the PGE Group

Area	Example
Operational activity	Extreme weather events or changes in climate conditions that may adversely affect the assets and operational activity of the PGE Capital Group.
CO_2 emissions	Rising costs of CO_2 emission allowances, which may adversely affect the profitability of generating units and, in extreme cases, lead to the suspension of production in such units for economic reasons.
Investments	Failure by the PGE Group to fulfil investment commitments aimed at green transformation at EU, national, and internal strategic levels.
Access to public funding and investment incentives in national regulations	Increased influence of climate-related requirements, relevant to the granting of public funds and investment incentives in national regulations.
International regulations	EU legislation on energy and climate policy, particularly as part of the implemented Fit for 55 package.

Each area of climate risks described above is assessed in the short, medium and long terms. The adopted time horizons result from analogy with ongoing external studies.

ASSESSMENT OF THE IMPACT OF PHYSICAL CLIMATE RISKS ON OPERATIONS

Global warming, changing precipitation patterns, rising sea levels and extreme weather events are increasingly posing serious challenges to the resilience of electricity systems, thus increasing the likelihood of disruptions. Climate change directly affects every segment of the power system: the potential and efficiency of generation, demand for heating and cooling, the resilience of transmission and distribution networks, as well as demand patterns.

Being aware of the threats posed by climate change, as part of the first stage of the climate risk management process, in 2024 the PGE Group once again carried out an assessment of key physical (material) climate risks that may adversely affect its operations, supporting climate adaptation and enhancing resilience to climate threats. The assessment covered climate factors such as temperature, precipitation, and wind, focusing on their potential adverse effects on key activities within the Group.

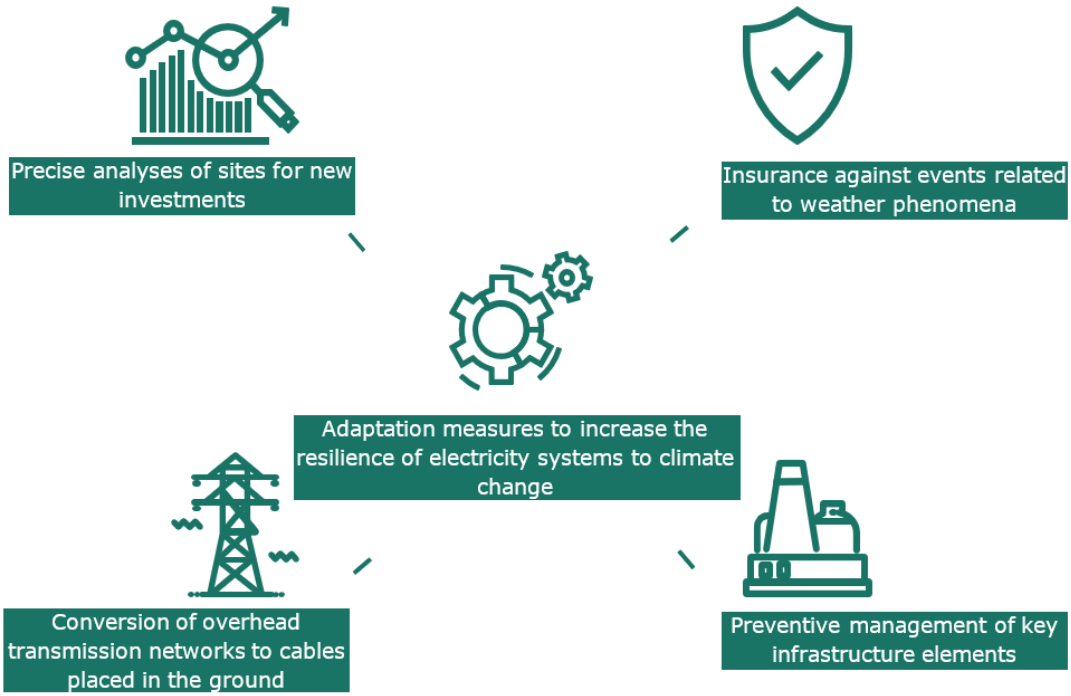
The assessment of risks related to physical climate threats in the PGE Capital Group in 2024 was carried out from both a current and long-term perspective, using scientific models that describe possible climate scenarios.

Table: Climate scenarios

Scenario	Type of scenario	Assumptions	Increase in global temperature	Risk impact
RCP 4.5	optimistic	introduction of new technologies to achieve a higher reduction in greenhouse gas emissions than at present	2.5°C	low/medium
RCP 8.5	pessimistic	maintaining the current rate of greenhouse gas emissions growth, according to a 'business as usual' model	4.5°C	low/medium

The assessment showed a low or medium impact of risks related to physical climate threats on the Group's key activities in 2024. An important role in the assessment process is played by, among other things, the implementation of adaptation measures developed within the PGE Capital Group.

Chart: Adaptation measures in the PGE Capital Group



IMPACT OF TRANSITIONAL CLIMATE RISKS ON OPERATIONS

Transitional climate risks in the PGE Capital Group primarily relate to areas affecting the transition towards achieving climate neutrality by 2050. These include, among others: requirements and regulations concerning existing products and services (area: policy and law), the replacement of current products and services with their low- and zero-emission counterparts (area: technology), and stakeholder concerns / negative perceptions (area: reputation). Examples of risks in these areas are listed below, divided into categories:

Policy and law

Climate regulations have a direct impact on energy companies. The PGE Capital Group companies, like other entities in the energy sector, are exposed to risks and threats arising from the nature of their operations and from functioning in a specific market and regulatory environment. The Group operates in an environment heavily influenced by national and international regulations. The risk of current regulations is particularly significant in the context of obtaining capital, subsidies and support from aid funds.

The PGE Group undertakes a number of activities related to monitoring available sources of support, preparing solid application documentation and using expert know-how. The PGE Group has extensive experience in obtaining preferential support and has the knowledge and staff to successfully implement this process.

Emerging regulations

Emerging regulations are important from the perspective of implementing the Group's strategy and supporting an effective transition to low- and zero-emission technologies. The Group strives to make full use of available funding options for green investments. Emerging regulatory changes, such as EU infrastructure support to stimulate sustainable investments, consideration of financing shortfalls, penalties for climate negative transactions, may give rise to significant risks. These changes will have an impact on the credit risk and may affect cash flows generated by the PGE Group's assets and thus affect their income value.

The risk of increasing costs of greenhouse gas emission allowances, including the reduction in the allocation of free emission allowances for district heating, directly reduces the capacity to finance low- and zero-emission investments.

The Group is investing in the modernisation of its assets and development projects, including the optimisation of combustion processes and the implementation of solutions aimed at improving generation efficiency, increasing the effectiveness of fuel and resource consumption, and reducing the energy intensity of production processes and internal needs.

Technology

A lasting reduction in emission intensity within the PGE Capital Group is to be achieved through changes in generation technologies, investments in new technologies, expansion of the portfolio of renewable energy sources, development of the circular economy, and enabling customers to participate in the energy transition. Technological risk also includes the selection of optimal and efficient new technologies and the Group's ability to fully utilise their potential.

Reputation

Reputational risk is particularly significant for the PGE Group, as the energy sector plays a key role in supporting the transition to a low-emission, and ultimately zero-emission, economy. The Group is focused on reducing its environmental impact. A sustainable reduction in emissions intensity is to be achieved by changing generation technologies, expanding the renewable portfolio and enabling customers to participate in the energy transition by offering them attractive products. Failure to pay due attention to the zero- and low-emission economy and ESG matters may result in difficulties in accessing capital.

25.5 Market (financial) risk – sensitivity analysis

At present the PGE Capital Group is exposed mainly to the risk of changes in the EUR/PLN currency exchange rates and to the risk of changes in the PLN, EUR reference interest rates. It also has items exposed to interest rate risk in USD, EUR and currency risk in EUR, USD, and DKK, which are of a lesser scale and therefore the associated risk for the Group is low. To analyse sensitivity to changes in market risk factors, the PGE Capital Group employs scenario analysis, i.e. expert scenarios reflecting a subjective assessment of future market risk factors.

The scenario analyses presented in this item aim to analyse the impact of changes in the market risk factors on the consolidated financial results. With respect to the interest rate risk and the currency risk, the analysis focuses exclusively on these items the fulfil the definition of financial instruments.

In an analysis of sensitivity to the interest rate risk, the Group uses the parallel shift of the interest rate curve by a potentially possible change in the reference interest rates during the next year.

In the case of an analysis of sensitivity to changes in interest rates, the effect of changes in the risk factors would be charged in the consolidated statement of comprehensive income to the item of interest income/costs or the item of revaluation of financial instruments measured at fair value.

The next tables present a sensitivity analysis for every type of the market risk to which the PGE CG was exposed as at the reporting date, showing how the gross financial result would be influenced potentially by changes in the particular risk factors according to the classes of financial assets and liabilities.

The value of exposure to currency risk for derivatives (forward) is their nominal value together with interest accrued until the reporting date, translated into PLN at the closing rate as at 31 December 2024 and 31 December 2023, respectively, without discount. In turn, the book value of these derivative instruments is the result of valuation to fair value.

Currency exchange risk sensitivity analysis

The table below shows the sensitivity of financial instruments to reasonably possible changes in exchange rates, with all other risk factors remaining constant.

CLASSES OF FINANCIAL INSTRUMENTS	Value in the statements (in PLN)	CURRENCY EXCHANGE RISK SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2024						
		Value exposed to risk	EUR/PLN		DKK/PLN		USD/PLN	
			impact on the financial result/capital		impact on the financial result/capital		impact on the financial result/capital	
			+10%	-10%	+10%	-10%	+10%	-10%
Trade receivables and other financial receivables	8,220	184	18	(18)	-	-	-	-
Cash and cash equivalents	4,363	1,319	127	(127)	5	(5)	-	-
Derivatives measured at fair value	45	234	-	-	-	-	18	(18)
Hedging derivatives	400	645	61	(61)	-	-	-	-
Interest-bearing credits and loans	(9,638)	(130)	-	-	-	-	(13)	13
Bonds issued	(2,007)	(597)	(60)	60	-	-	-	-
Trade payables and other financial liabilities	(8,377)	(298)	(17)	17	-	-	(13)	13
Derivatives measured at fair value	(233)	(420)	14	(14)	-	-	3	(3)
IMPACT ON FINANCIAL RESULT			**143**	**(143)**	**5**	**(5)**	**(5)**	**5**
Hedging instruments		(17,345)	1,931	(1,931)	-	-	-	-
IMPACT ON REVALUATION RESERVE			**1,931**	**(1,931)**	-	-	-	-

CLASSES OF FINANCIAL INSTRUMENTS	Value in the statements (in PLN)	CURRENCY EXCHANGE RISK SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2023						
		Value exposed to risk	EUR/PLN		DKK/PLN		USD/PLN	
			impact on the financial result/capital		impact on the financial result/capital		impact on the financial result/capital	
			+10%	-10%	+10%	-10%	+10%	-10%
Trade receivables and other financial receivables	10,770	802	80	(80)	-	-	-	-
Cash and cash equivalents	6,033	1,292	123	(123)	6	(6)	-	-
Derivatives measured at fair value	159	1,396	-	-	-	-	130	(130)
Hedging derivatives	204	661	62	(62)	-	-	-	-
Interest-bearing credits and loans	(11,394)	(151)	-	-	-	-	(15)	15
Bonds issued	(2,017)	(608)	(61)	61	-	-	-	-
Lease liabilities	(1,486)	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(8,133)	(278)	(28)	28	-	-	-	-
Derivatives measured at fair value	(468)	(3,281)	21	(21)	-	-	(276)	276
IMPACT ON FINANCIAL RESULT			**197**	**(197)**	**6**	**(6)**	**(161)**	**161**
Hedging instruments		(20,462)	2,400	(2,400)	-	-	-	-
IMPACT ON REVALUATION RESERVE			**2,400**	**(2,400)**	-	-	-	-

Interest rate risk sensitivity analysis

The Group recognises its exposure to the risk of changes in WIBOR and EURIBOR interest rates. The table below shows the sensitivity of financial instruments to reasonably possible changes in interest rates, assuming that other risk factors remain constant.

FINANCIAL ASSETS AND LIABILITIES	Value in the statements (in PLN)	INTEREST RATE RISK SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2024				
		Value exposed to risk	WIBOR		EURIBOR	
			impact on the financial result/capital		impact on the financial result/capital	
			+50%	-50%	+25%	-25%
Trade receivables and other financial receivables	8,220	25	-	-	-	-
Derivatives measured at fair value through profit or loss – assets	45	45	-	-	-	-
Interest-bearing credits and loans	(9,638)	(5,089)	(25)	25	-	-
Bonds issued	(2,017)	(1,410)	(7)	7	-	-
Lease liability	(1,547)	(281)	(1)	1	-	-
Trade liabilities and other financial liabilities	(8,377)	(2,009)	(10)	10	-	-
Derivatives – liabilities	(233)	(233)	(1)	1	-	-
IMPACT ON FINANCIAL RESULT			**(44)**	**44**	-	-
Hedging instruments	(658)	(658)	39	(40)	352	(358)
IMPACT ON REVALUATION RESERVE			**39**	**(40)**	**352**	**(358)**

FINANCIAL ASSETS AND LIABILITIES	Value in the statements (in PLN)	INTEREST RATE RISK SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2023				
		Value exposed to risk	WIBOR		EURIBOR	
			impact on the financial result/capital		impact on the financial result/capital	
			+50%	-50%	+25%	-25%
Trade receivables and other financial receivables	10,770	5	-	-	-	-
Derivatives measured at fair value through profit or loss – assets	159	159	-	-	-	-
Interest-bearing credits and loans	(11,394)	(6,679)	(33)	33	-	-
Bonds issued	(2,017)	(1,409)	(7)	7	-	-
Lease liability	(1,486)	(314)	(2)	2	-	-
Derivatives – liabilities	(468)	(468)	(2)	2	-	-
IMPACT ON FINANCIAL RESULT			**(44)**	**44**	-	-
Hedging instruments	(1,361)	(1,361)	43	(45)	(9)	9
IMPACT ON REVALUATION RESERVE			**43**	**(45)**	**(9)**	**9**

Commodity price change risk sensitivity analysis

The Group recognises its exposure to the risk of changes in the prices of commodities, including raw materials for electricity generation.

The table below shows the sensitivity analysis of changes in the purchase costs of selected goods based on a 10% change in price:

COMMODITY	AS AT 31 DECEMBER 2024			AS AT 31 DECEMBER 2023		
	Purchase cost of goods	Impact on financial result		Purchase cost of goods	Impact on financial result	
		+10%	-10%		+10%	-10%
Hard coal	3,978	398	(398)	8,942	894	(894)
CO_2 emission allowances for own use	24,854	2,485	(2,485)	28,605	2,861	(2,861)
Natural gas [thousand m^3]	3,384	338	(338)	2,584	258	(258)
Biomass	203	20	(20)	386	39	(39)
Fuel oil	247	25	(25)	188	19	(19)
TOTAL	**32,666**	**3,266**	**(3,266)**	**40,705**	**4,071**	**(4,071)**

25.6 Hedge accounting

SIGNIFICANT ACCOUNTING PRINCIPLES

Hedge accounting

In accordance with the transitional provisions of IFRS 9, on the date of first-time application of IFRS 9 (with respect to areas other than hedge accounting – i.e. Classification and Measurement, and Impairment), the Group had the option, as part of its accounting policy, to continue applying the hedge accounting requirements in accordance with IAS 39 instead of the requirements set out in IFRS 9.

The Group applied the hedge accounting requirements in accordance with IAS 39 until 30 September 2024. As of 1 October 2024, the Group applies hedge accounting principles in line with IFRS 9.

Changes in the fair value measurement of derivative financial instruments designated as CCIRS and IRS cash flow hedges are recognised in the revaluation reserve for the portion that constitutes an effective hedge, while the ineffective portion of the hedge is recognised in profit or loss.

The amounts of the cumulative change in the measurement of the fair value of a hedging instrument previously recognised in the revaluation reserve are transferred to profit or loss in the period or periods during which the hedged item affects profit or loss. Alternatively, where a hedge of a forecast transaction results in the recognition of a non-financial asset or non-financial liability,

the Group excludes such an amount from equity and includes it in the initial cost or another book value of a non-financial asset or non-financial liability.

The Group establishes a hedging relationship formally only when all of the following criteria are met:

a) the hedging relationship consists solely of eligible hedging instruments and eligible hedged items,

b) at the time of establishing the hedging relationship, the relationship has been formally designated and documented, including the entity's risk management objective and the strategy for undertaking the hedge. This documentation specifies the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the entity's analysis of sources of hedge ineffectiveness and a description of how the hedge ratio is determined),

c) the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item the Group actually hedges and the quantity of the hedging instrument the Group actually uses to hedge that quantity of the hedged item. However, this designation must not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (whether recognised or not) which could produce an accounting outcome that would be inconsistent with the purpose of hedge accounting.

The Group assesses hedge effectiveness in accordance with the requirements of IFRS 9. The assessment of effectiveness is based on the following criteria:

- the existence of an economic relationship between the hedged item and the hedging instrument – the requirement for an economic relationship means that the values of the hedging instrument and the hedged item generally move in opposite directions due to the same risk that is being hedged;
- credit risk does not have a predominant effect on the value changes resulting from that economic relationship;
- the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantity of the hedged item the Company actually hedges and the quantity of the hedging instrument the Company actually uses to hedge that quantity of the hedged item.

The Group uses cash flow hedges for the following relations.

In connection with loans received from PGE Sweden AB (publ), PGE S.A. concluded CCIRS transactions hedging the exchange rate. In these transactions, banks-counterparties pay PGE S.A. interest based on a fixed rate in EUR and PGE S.A. pays interest based on a fixed rate in PLN. In the consolidated financial statements, the relevant part of the CCIRS transaction is treated as a hedge of the intra-group transactions in the portion for which there exists an associated external transaction in the form of bonds issued by PGE Sweden AB (publ).

The Group hedges commodity risks associated with physical forward transactions for the purchase and sales of gas fuel and CO_2 emission allowances as part of an 'all-in-one hedge'. The Group covers 100% of the nominal value of the transaction.

In addition, the Group hedges the risk of exchange rate-based cash flow changes in connection with forward contracts for the purchase of carbon dioxide emission allowances (futures and forward derivative transactions) priced in EUR. The Group enters into FX forwards for this purpose. It covers 100% of the transaction nominal value (the futures transaction nominal value is reduced by the initial margin amount).

The Group also applies hedge accounting to IRS transactions hedging the interest rate in connection with its financial commitments under agreements such as the Credit Agreement with the BGK concluded on 17 December 2014 and 4 December 2015, the Credit Agreement with the EBRD concluded on 7 June 2017 and under the market bonds issued on 9 May 2019. Under these IRS transactions, banks-counterparties pay PGE S.A. interest based on a variable rate in PLN and PGE S.A. pays interest based on a fixed rate in PLN.

The Group uses hedge accounting to hedge against interest rate risk of deal contingent swaps whose activation is contingent upon the fulfilment of certain suspensive conditions required to initiate the financing of future investment projects. The purpose of the hedging relationship is to mitigate the volatility of cash flows affecting the Group's financial result, arising from highly probable future external financing transactions related to the offshore wind farm construction project. In February 2025, the Group entered into novation transactions for IRS derivatives hedging the interest rate risk of a loan obtained under a Project Finance structure.

Due to the close alignment of key transaction parameters (nominal amount, settlement date of cash flows, underlying asset), the Group conducts a qualitative assessment of the existence of an economic relationship in the case of hedging relationships using FX futures, FX forward, IRS instruments, all-in-one hedges and contingent instruments. Based on the selected method, the Group assumes that changes in the value of the hedging instrument and the hedged item will exhibit a degree of offsetting close to 100%.

In the case of hedging relationships involving CCIRS instruments, the Group applies a prospective effectiveness assessment based on a quantitative method, using a hypothetical derivative that reflects changes in the value of the hedged item.

The principal source of ineffectiveness in the Group's hedging relationships is counterparty and own credit risk, which is not reflected in the valuation of the hedged item. Hedging transactions are entered into with high-rated financial institutions.

An additional source of ineffectiveness in CCIRS transactions is the designation of the instrument together with the basis spread component, which is not reflected in the valuation of the hedged item.

The hedge ratio for the Group's hedging relationships is 1:1, due to the alignment of the nominal values between the hedging instruments and the designated risk exposure.

The following tables provide information on the impact of hedge accounting on the Financial Statements.

Hedging instrument	Notional amount in currency as at 31 December 2024	Notional amount in currency as at 31 December 2023	Value as at the reporting date of 31 December 2024	Value as at the reporting date of 31 December 2023	Change in value during the period for ineffectiveness calculation	Balance sheet line item
Currency risk			**(345)**	**(1,554)**	**1,209**	Derivatives measured at fair value through profit or loss
CCIRS	EUR 144 million	EUR 144 million	36	4	32	
Forwards	EUR 4,450 million	EUR 5,510 million	(381)	(1,558)	1,177	
Commodity risk			**125**	**-**	**125**	Derivatives measured at fair value through profit or loss
Gas forwards	PLN 847 million	-	130	-	130	
CO_2 forwards	EUR 87 million	-	10	-	10	
Commodity SWAP	EUR 46 million	-	(15)	-	(15)	
Interest rate risk			**(438)**	**193**	**(631)**	Derivatives measured at fair value through profit or loss
IRS	PLN 2,275 million	PLN 2,525 million	176	193	(17)	
Inflation SWAP	EUR 833 million	-	(15)	-	(15)	
Deal Contingent Swaps (DCS)	EUR 2,429 million	-	(599)	-	(599)	

Hedged item	Value as at the reporting date of 31 December 2024	Value as at the reporting date of 31 December 2023	Change in value during the period for ineffectiveness calculation
Currency risk	**(355)**	**(1,555)**	**23**
CCIRS	26	3	23
Futures	(14)	(193)	-
Forwards	(367)	(1,365)	-
Commodity risk	**125**	**-**	**-**
Gas forwards	130	-	-
CO_2 forwards	10	-	-
Commodity SWAP	(15)	-	-
Interest rate risk	**(438)**	**193**	-
IRS	176	193	-
Inflation SWAP	(15)	-	-
Deal Contingent Swaps (DCS)	(599)	-	-

Hedged item	Ineffectiveness as at 31 Dec 2024	Ineffectiveness as at 31 Dec 2023	Line item in the Statement of comprehensive income
Currency risk	**10**	**25**	Finance income / (costs)
CCIRS	10	25	
Futures	-	-	-
Forwards	-	-	-
Commodity risk	-	-	-
Gas forwards	-	-	-
CO_2 forwards	-	-	-
Commodity SWAP	-	-	-
IRS	-	-	-
Interest rate risk	-	-	-
IRS	-	-	-
Inflation SWAP	-	-	-
Deal Contingent Swaps (DCS)	-	-	-

Information on the hedging instruments – the maturity structure as at 31 December 2024. Payments received by the Group are presented with a 'minus' sign, while payments made by the Group are presented with a 'plus' sign.

Derivative	Currency	Up to 1 year	From 1 year to 5 years	Over 5 years
CCIRS	EUR	11	(63)	-
IRS	PLN	(76)	(118)	-
Currency forward	EUR	346	50	-
Commodity forward (gas)	PLN	184	662	-
Commodity forward (CO_2)	EUR	38	338	-
Deal Contingent Swaps (DCS)	EUR	13	16	711
Inflation and commodity swap	EUR	8	26	

For commodity forwards, the table shows net flows – payments have been reduced by proceeds from the realisation of contracts. EUR values are converted at the exchange rate applicable as at the reporting date.

For currency forwards, the table shows the maturity of the financial instrument valuation.

In the Group's assessment, the impact of the ineffective part of the hedge resulting from the EUR exchange rate and the change in WIBOR and recognised in profit or loss will not have a material impact on future financial statements of the PGE CG.

The IBOR reform may also have an impact on variable rate derivatives. The implementation date of the reform has been postponed until the end of 2027. On 31 December 2024, the nominal value of IRS derivatives exposed to the interest rate risk amounted to PLN 2,275 million (these instruments are based on WIBOR). Before the reform comes into effect, the PGE Group will have to settle the instruments hedging the credit agreement with the BGK, whose nominal value on 31 December 2024 was PLN 375 million and whose maturity date falls in December 2027, as well as a bond hedging instrument, whose nominal value as at the reporting date was PLN 400 million and whose maturity date falls in May 2026.

The impact of hedge accounting on the revaluation reserve is presented in Note 19.3 to these financial statements.

EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

26. Statement of cash flows

SIGNIFICANT ACCOUNTING PRINCIPLES

Statement of cash flows

The statement of cash flows is drawn up on the basis of the indirect method.

26.1 Cash flows from operating activities

Income tax paid

	Year ended 31 December 2024	Year ended 31 December 2023
Income tax in the Consolidated statement of comprehensive income	(2,316)	(847)
Change in deferred income tax assets	621	(591)
Change in deferred income tax liabilities	415	(178)
Change in income tax receivables	676	(716)
Change in income tax liabilities	541	62
Deferred tax recognised in other comprehensive income	(171)	414
Other adjustments	(2)	(98)
Income tax paid, TOTAL	**(236)**	**(1,954)**

Income tax was paid in Poland, except for the tax borne by PGE Sweden AB (publ) operating in Sweden, which amounted to PLN 0.4 million in the current reporting period and PLN 0.8 million in the comparative period.

As of 31 December 2023, the Group recognised PLN 967 million in income tax receivables. The receivables in question mainly resulted from CIT advances paid by PGE GiEK S.A. in February and March 2023 for the tax income earned in January and February 2023, respectively. In the next months of 2023, mainly due to the purchase of CO_2 emission allowances, said company incurred a significant tax loss, which finally reached PLN 4.3 billion in December 2023. Accordingly, in July 2024, the Revenue Office refunded the CIT advances paid in 2023.

(Profit) / loss on investing activities

	Year ended 31 December 2024	Year ended 31 December 2023
Resulting change in write-downs on other financial assets	(10)	499
Accrual valuation of derivative instruments	(248)	(2)
(Profit)/loss on sales of property, plant and equipment	(14)	(20)
(Profit)/loss on disposal of financial fixed assets	17	(5)
Other	34	16
TOTAL (PROFIT)/LOSS ON INVESTMENT ACTIVITIES	**(221)**	**488**

Change in receivables

	Year ended 31 December 2024	Year ended 31 December 2023
Change in trade and other financial receivables	2,550	(1,464)
Adjustment for acquisition/sales of a subsidiary	-	696
Adjusted for changes in deposits	21	26
Adjustment for change in loans granted	20	-
Other	(4)	5
TOTAL CHANGE IN RECEIVABLES	**2,587**	**(737)**

Change in inventories

	Year ended 31 December 2024	Year ended 31 December 2023
Change in inventories	884	1,145
Adjustment for reclassification of investment materials to PPE	(93)	(40)
Adjustment for acquisition/sales of a subsidiary	-	132
Other	-	(1)
TOTAL CHANGE IN INVENTORIES	**791**	**1,236**

Change in liabilities, excluding credits and loans

	Year ended 31 December 2024	Year ended 31 December 2023
Change in trade payables and other financial liabilities	244	948
Change in other non-financial liabilities	(920)	1,503
Adjustment for change in investment liabilities	3	(194)
Adjustment for acquisition/sales of a subsidiary	-	(3,287)
Other	(6)	26
TOTAL CHANGE IN LIABILITIES	**(679)**	**(1,004)**

Change in other non-financial assets and in the balance of accruals and prepayments

	Year ended 31 December 2024	Year ended 31 December 2023
Change in other assets	1,879	(1,218)
Change in deferred income	468	144
Adjusted for change in advances for fixed assets under construction	(34)	83
Adjustment for acquisition/sales of a subsidiary	-	154
Adjustment for change in financial/investment activities	(471)	(233)
Other	(8)	(3)
TOTAL CHANGE IN OTHER NON-FINANCIAL ASSETS, PREPAYMENTS AND ACCRUALS	**1,834**	**(1,073)**

Change in provisions

	Year ended 31 December 2024	Year ended 31 December 2023
Change in provisions	(5,425)	5,423
Adjustment for change in actuarial reserves recognised in other comprehensive income	216	(869)
Adjustment for the change in rehabilitation provisions recognised in assets	157	(1,358)
Adjustment for acquisition/sales of a subsidiary	-	(381)
Other	4	-
TOTAL CHANGE IN PROVISIONS	**(5,048)**	**2,815**

26.2 Cash flows from investing activities

Acquisition of property, plant and equipment and intangible assets

In 2024, the largest expenses for the acquisition of property, plant and equipment and intangible assets were incurred by the following segments:

- Distribution: PLN 3,974 million,
- Renewables: PLN 1,815 million,
- Low-carbon Generation: PLN 1,584
- District Heating – PLN 1,241 million,
- Conventional Generation: PLN 964 million.
- Railway Energy Services – PLN 586 million.

Creation and withdrawal of deposits with maturities over 3 months

Companies from the Conventional Generation segment are obliged to have Mine Decommissioning Fund resources collected and invested in accordance with the requirements of the Mining and Geological Law.

Acquisition of a fully consolidated entity, net of cash acquired

In the comparative reporting period:

- Acquisition of the PKP Energetyka Group

On 3 April 2023, the transaction of PGE's direct acquisition of 100% of shares in PKP Energetyka Holding sp. z o.o., and consequently the indirect acquisition of 100% of shares in PKP Energetyka S.A. and shares in other subsidiaries of PKP Energetyka Holding sp. z o.o. by PGE S.A. was completed. The final price paid by PGE S.A. to the seller was PLN 1,873 million. The acquired loan liabilities amounted to PLN 1,546 million and the acquired cash of the acquired companies totalled PLN 387 million.

- Acquisition of LongWing Polska sp. z o.o.

On 20 September 2023, PGE Energia Odnawialna S.A. acquired 100% of the shares in LongWing Polska sp. z o.o. from Solar Energy Ressources S.A R.L. and Ser WindPark Zalesie GmbH, for a value of EUR 17.5 million. The total transaction value amounted to PLN 338 million. An amount of PLN 82 million constituted the payment for the shares, while PLN 256 million related to the subrogation of liabilities. The acquired cash and cash equivalents amounted to PLN 4 million.

Interest received

Interest received on Autostrada Wielkopolska S.A. bonds in the amount of 137 million in the current reporting period and 72 million PLN in the comparative period.

26.3 Cash flows from financing activities

Proceeds from share issue to non-controlling shareholders

The proceeds of 37 million in the current period and PLN 129 million in the comparative period relate to half of the payments made by Ørsted for taking up and increasing the capital in joint contractual operations, i.e. in EWB2 and EWB3. The amount of 28 million in the comparative period related to the capital increase by the shareholders in PGE Baltica 7 sp. z o.o. and PGE Inwest 12 sp. z o.o.

Proceeds from obtained loans and credits

In the current reporting period, PGE S.A. drew on available loans in the total amount of PLN 6,800 million (PLN 8,365 million in 2023). In addition, the companies in the District Heating segment received loans and borrowings from environmental funds worth approximately PLN 96 million (PLN 316 million in 2023).

Repayment of loans, credits and finance leases

In the current reporting period, PGE S.A. repaid loans with a total value of PLN 8,537 million (PLN 3,133 million in 2023). In addition, in the comparative period, PGE Energetyka Kolejowa repaid its debt under a loan from before the acquisition date, in the amount of PLN 3,028 million.

Payments of the main portion of the lease liability amounted to PLN 122 million in the current period and PLN 94 million in the previous period.

Interest paid

In the current reporting period, the item mainly includes interest on loans and credits of approximately PLN 541 million, from bonds in the amount of PLN 118 million, from financial instruments (CCIRS and IRS) of PLN (-) 79 million, commissions on guarantees and sureties related to taking out loans of PLN 29 million, and from lease liabilities of PLN 77 million.

In 2023, the item mainly includes interest on loans and credits of approximately PLN 635 million, from bonds in the amount of PLN 139 million, from financial instruments (CCIRS and IRS) of PLN (-) 182 million, commissions on guarantees and sureties related to taking out loans of PLN 42 million, and from lease liabilities of PLN 68 million.

OTHER EXPLANATORY NOTES

27. Contingent receivables and payables. Litigation

SIGNIFICANT ACCOUNTING PRINCIPLES

Contingent liabilities

In accordance with IAS 37 on the recognition and valuation of provisions and contingent liabilities, an assessment is made of the likelihood of the occurrence of potential liabilities. If the occurrence of a negative event is probable, a provision is recognised in a relevant amount. If the occurrence of a negative event is possible, but not probable, it is recognised as a contingent liability.

27.1 Contingent liabilities

	As at 31 December 2024	As at 31 December 2023
Security for the repayment of subsidies from environmental funds	848	536
Litigation liabilities	154	106
Liability under bank guarantee sureties securing stock exchange transactions	278	400
Perpetual usufruct of land	70	60
Other contingent liabilities	57	75
TOTAL CONTINGENT LIABILITIES	**1,407**	**1,177**

Security for the repayment of subsidies from environmental funds

The liabilities represent the value of possible future repayments received by the Group companies from environmental funds towards selected investments. A refund will be required if the subsidised investments do not have the desired environmental impact.

Litigation liabilities

In connection with the sale of shares in PGE EJ1 sp. z o.o. to the State Treasury effected in 2021, and in accordance with the concluded Agreement regulating the liability of the existing Shareholders for the costs of the dispute with Worley Parsons, PGE S.A. may be obliged to cover the costs of the dispute in the maximum amount of PLN 98 million if the dispute is lost. Therefore, for the purpose of determining the fair value of the payment received, the probability of losing the dispute was estimated. As a result, an amount of PLN 59 million was recognised in contingent liabilities and an amount of PLN 39 million in short-term provisions.

The liabilities also include the litigation value of PLN 84.5 million resulting from the implementation of the investment in PGE GiEK S.A. o/ELT.

Liabilities under bank guarantee sureties

These liabilities represent sureties issued by PGE S.A. for bank guarantees provided as a deposit to secure exchange transactions resulting from the membership in the Warsaw Commodity Clearing House.

Perpetual usufruct of land

Contingent liabilities arising from the perpetual usufruct of land are related to the receipt of updated annual fees for the perpetual usufruct. Branches of PGE GiEK S.A. have appealed against the related decisions to the Local Government Board of Appeals. The contingent liability was measured as the difference between the discounted sum of the updated perpetual usufruct fees for the entire period for which the perpetual usufruct was established and the liability for the perpetual usufruct of land, recognised in the books based on previous fees.

Other contingent liabilities

In August 2022, a 'Reimbursement Agreement' was concluded between companies EWB1, EWB2, and EWB3 and the company responsible for the construction of the installation port. The agreement provides for the reimbursement of costs incurred by the contractor in connection with the construction of the installation port, in the event that the aforementioned companies do not proceed with the investment. The potential liability of the PGE Capital Group, taking into account the shareholdings referred to in Note 1.3.2, was estimated at PLN 13.9 million.

27.2 Other significant issues related to contingent liabilities

Non-contractual use of real estate

The Group recognises a provision for disputes concerning non-contractual use of real estate serving distribution activities that have been submitted to court proceedings. Furthermore, disputes at earlier stages of proceedings exist within the PGE Capital Group, and an increase in the number and value of similar claims in the future cannot be ruled out.

Contractual fuel purchase obligations

In accordance with agreements in place for the purchase of natural gas, the Group is obliged to offtake a specified minimum quantity of fuel, as well as not to exceed a specified maximum volume of natural gas consumption during the different periods. Failure to offtake the minimum volumes of fuel or exceeding the maximum volumes specified in the agreements may result in the obligation to pay additional charges (in the case of certain gas purchase agreements, volumes not offtaken but paid for may be offtaken in subsequent delivery periods).

In the current reporting period, the Group was charged a net amount of PLN 13.4 million by ORLEN S.A. for failure to offtake the contractual minimum volume of natural gas. The payment was settled within the deadlines indicated on the relevant documents.

Obligations related to maintaining fuel stocks

In accordance with applicable legal regulations, an energy enterprise engaged in generation of electricity or heat is required to maintain fuel stocks in quantities ensuring the continuity of electricity or heat supply to consumers.

In previous reporting periods, there were several breaches of the minimum coal stock requirements in the generating units of PGE GiEK S.A. operating on hard coal (Opole Power Plant, Dolna Odra Power Plant, Rybnik Power Plant). A number of factors beyond the Group's control contributed to the failure to maintain minimum hard coal stock levels and to the difficulties in rebuilding those stocks at the power plants. The most recent periods in which a breach of minimum coal stock requirements was recorded were January and February 2023.

Pursuant to Article 56(1)(2) of the Energy Law, a monetary fine shall be imposed on anyone who fails to comply with the obligation to maintain fuel stocks (...) or to replenish them on time, (...). It should be noted that the mere occurrence of a breach of a prohibition or obligation set out in the Energy Law results in the imposition of a fine by the President of the Energy Regulatory Office. According to Article 56(3) of the Energy Law, the amount of the fine may not be less than PLN 10,000 and not more than 15% of the revenue of the penalised enterprise achieved in the previous tax year. If the monetary fine is related to an activity conducted under a concession, the amount of the fine may not be less than PLN 10,000 and not more than 15% of the revenue from the concession activity in the previous tax year.

As at the date of these financial statements, no fine has been imposed on PGE GiEK S.A. for failure to maintain and restore coal stocks at the required level. As at the date of these statements, coal stock levels are maintained as required.

Given the above-mentioned circumstances – namely the external factors beyond the CG's control that caused the breach and failure to restore coal stocks on time, as well as the absence of any prior penalties imposed on PGE GiEK S.A. for this reason – such circumstances should serve as grounds for a proportional reduction in any potential fine. The Group estimates that the value of any potential fine imposed would not be material, and therefore no provision has been recognised in these financial statements on this account.

Funds from an increase in the Company's share capital

On 5 April 2022, an investment agreement was concluded between PGE S.A. and the State Treasury concerning the subscription by the State Treasury for shares issued as part of a share capital increase. In accordance with the provisions of the agreement, the funds raised from the share issue, amounting to PLN 3.2 billion, are to be used exclusively for investments in the areas of renewable energy, decarbonisation, and distribution. The use of proceeds from the issue is subject to detailed reporting and auditing. On 26 April 2023, the agreement was amended due to the need to adjust the expenditure schedule across individual investment projects. The use of funds in a manner inconsistent with the investment agreement may result in financial penalties, or in extreme cases, the requirement to return the funds. The PGE Group is using the funds in compliance with the investment agreement. As at 31 December 2024, the balance of funds remaining to be spent from the share issue amounts to approximately PLN 508 million.

„Cancellation fees" in EWB2

In 2023 and 2024, EWB2 entered into agreements relating to the construction phase of the Baltica 2 offshore wind farm project. These agreements included provisions stating that, in the event of a failure to reach Final Investment Decision (FID) and, consequently, the cancellation of all concluded contracts, EWB2 would be obliged to pay the associated cancellation fees.

In January 2025, the FID was made, and therefore the risk of incurring such cancellation fees is considered immaterial.

Energy efficiency certificates

PGE S.A. was involved in administrative proceedings before the President of the Energy Regulatory Office (URE) concerning the imposition of a financial penalty for failure to meet the obligation to obtain and submit for redemption to the President of the Energy Regulatory Office approximately 29 energy efficiency certificates for the years 2017 and 2018. In December 2024, PGE S.A. received the decisions of the President of the Energy Regulatory Office regarding the penalties in question, the total amount of which had not exceeded PLN 0.1 million. The penalties were paid in January 2025.

Contingent liabilities related to factoring

As at 31 December 2024, the Group held contingent liabilities in the form of Declarations of Voluntary Submission to Enforcement under Article 777 §1 of the Civil Procedure Code, serving as collateral for the Group's receivables under factoring agreements as follows:

- reverse factoring with Santander Factoring – PLN 1,584 million,
- full factoring with Santander Factoring – PLN 705 million,
- reverse factoring with Pekao Faktoring – PLN 690 million,
- full factoring with Pekao Faktoring – PLN 150 million,
- reverse factoring with Bank Handlowy – PLN 600 million,
- full factoring with PKO Faktoring – PLN 16.5 million,
- reverse factoring with PKO Faktoring – PLN 150 million.

27.3 Other court cases and disputes

Matter of compensation for share conversion

On 12 November 2014, the company Socrates Investment S.A. (the assignee of claims from former shareholders of PGE Górnictwo i Energetyka S.A.) filed a lawsuit seeking damages in the total amount of over PLN 493 million (plus interest), alleging losses incurred as a result of the allegedly improper determination of the share exchange ratio in the merger process of PGE Górnictwo i Energetyka S.A. with PGE S.A. The Company submitted a statement of defence. On 15 November 2017, the Company received a pleading from the claimant amending the claim to increase the amount sought to PLN 636 million. The court proceedings in the first instance are currently ongoing.

In addition, a similar claim was filed by Pozwy sp. z o.o., the assignee of claims from former shareholders of PGE Elektrownia Opole S.A. Pozwy sp. z o.o., by way of a statement of claim filed with the District Court in Warsaw against PGE GiEK S.A., PGE S.A., and PwC Polska sp. z o.o. (hereinafter referred to as the Defendants), requested the court to order the Defendants to pay, in solidum or, alternatively, jointly and severally, damages in the total amount of over PLN 260 million together with interest, on account of the allegedly improper determination of the share exchange ratio of PGE Elektrownia Opole S.A. shares for PGE GiEK S.A. shares during the merger of those companies. The statement of claim was served on PGE S.A. on 9 March 2017.

Companies: PGE S.A. and PGE GiEK S.A. filed a joint statement of defence on 8 July 2017. On 28 September 2018, the District Court in Warsaw delivered its first-instance judgment – the claim filed by Pozwy sp. z o.o. was dismissed. On 8 April 2019, PGE S.A. received a copy of the appeal filed by the claimant on 7 December 2018. PGE S.A. and PGE GiEK S.A.'s response to the appeal was prepared on 23 April 2019. The hearing was held on 21 December 2020. The Court of Appeal issued a verdict in which it overturned the appealed verdict of the District Court in its entirety and returned the case for re-examination to the District Court. On 22 January 2021 PGE S.A. together with PGE GiEK S.A. filed a complaint against the verdict to the Supreme Court, requesting that the verdict of the Court of Appeal be reversed in its entirety and the case be returned to the Court of Appeal for re-examination. At a closed session on 27 April 2021, the Supreme Court overturned the appealed verdict. Thus, the case was returned for re-examination by the Court of Appeal. In a verdict of 10 January 2024, the Court of Appeal upheld the claimant's appeal and overturned the appealed verdict of the District Court and referred the case back to that court.

The PGE Group companies do not recognise the claims of Socrates Investment S.A. and Pozwy sp. z o.o. According to PGE S.A., these claims are groundless and the entire consolidation process was conducted in a fair and correct manner. The value of shares in the companies subject to consolidation had been determined by an independent company, i.e. PwC Polska sp. z o.o. Furthermore, the consolidation plan, including the ratio of converting shares in the acquired company into shares in the acquiring company was audited with respect to its correctness and reliability by an expert appointed by the court of registration, and no irregularities were identified. The court subsequently registered the merger of the aforementioned companies.

The PGE Group did not establish any provision for the filed lawsuit.

Penalties for the contractor of Unit 7 at the Turów Power Plant

In 2022, PGE GiEK S.A. imposed a contractual penalty of PLN 562 million on the contractor of Unit 7 at the Turów Power Plant—a consortium comprising Mitsubishi Power Europe GmbH, TECNICAS REUNIDAS S.A., and BUDIMEX S.A.—for failing to meet the availability index in the first year of the warranty period. In July 2022, the Company submitted a payment demand to the consortium, which was rejected. The contractual penalty was fully covered by an impairment allowance in 2022.

On 15 June 2023, PGE GiEK S.A. submitted a request to the General Counsel to the Republic of Poland for mediation with the involvement of a mediator from the Arbitration Court at the General Counsel's Office, in an attempt to amicably resolve disputes arising under the Contract. Mediation, which continued through 2023 and 2024, had not been concluded as of the date of these financial statements.

On 23 October 2023, PGE GiEK S.A. filed a lawsuit with the District Court in Łódź against the contractor, demanding the rectification of certain defects in Unit 7 at the Turów Power Plant. The value of the dispute amounts to PLN 200 million.

Additionally, PGE GiEK S.A. held performance bonds totalling PLN 135 million and advance payment guarantees totalling PLN 7 million. On 21 June 2024, PGE GiEK S.A. submitted payment requests to the bank under the existing guarantees and received a total of PLN 142 million in July 2024. The PLN 135 million related to the performance bonds was not recognised in profit or loss due to the ongoing mediation proceedings.

On 30 October 2024, PGE GiEK S.A. issued a debit note in the amount of PLN 357 million for failure to meet the availability index in the second year of the warranty period and for delays in remedying defects. Due to the significant risk of this note being challenged by the contractor, it was fully covered by an impairment allowance.

On 13 December 2024, PGE GiEK S.A. offset part of the receivable related to the contractual penalty for Unit 7's unavailability in the first year of the warranty period against the contractor's receivable for the return of the enforced performance bond, totalling nearly PLN 135 million. This resulted in the partial reversal of the impairment allowance related to the penalty, while simultaneously recognising a provision of the same amount due to the significant risk of the offset being contested by the contractor.

On 24 December 2024, PGE GiEK S.A. filed a lawsuit with the District Court in Łódź against the contractor, seeking a total of PLN 1,046 million. The total amount of claims pursued in court proceedings against the contractor of Unit 7 at the Turów Power Plant stands at PLN 1,246 million. In January and February 2025, PGE GiEK S.A. received two lawsuits from the contractor demanding payments totalling PLN 627 million and EUR 17 million, which PGE GiEK S.A. does not acknowledge. No provisions have been recognised by the Group in respect of the claims filed by the contractor.

The mutual claims between PGE GiEK S.A. and the contractor of Unit 7 at the Turów Power Plant, as described above, had no impact on the financial result for 2024. PGE GiEK S.A. does not rule out the possibility of an out-of-court settlement of the dispute.

Environmental decision regarding the Turów Mine

On 31 May 2023, the Voivodeship Administrative Court (WSA) in Warsaw suspended—until the relevant complaint is reviewed—the enforceability of the environmental decision for coal extraction at the Turów Mine. The environmental decision sets out the conditions for the implementation of the project titled: 'Continued Exploitation of the Turów Lignite Deposit project carried out in Bogatynia municipality.' The complaint against the environmental decision was filed, among others, by the Frank Bold Foundation, Greenpeace, and the EKO-UNIA Ecological Association.

On 12 June 2023, PGE GiEK S.A. filed a complaint with the Supreme Administrative Court (NSA) in Warsaw against the WSA's ruling of 31 May 2023 regarding the Turów Mine. This was the company's response to the suspension of the enforceability of the environmental permit issued by the General Directorate for Environmental Protection (GDOŚ) in September 2022.

On 18 July 2023, the NSA overturned the WSA's decision of 31 May 2023 to suspend the enforceability of the environmental decision concerning the Turów Mine. The appeals of GDOŚ, PGE GiEK S.A., and the National Prosecutor's Office were upheld.

On 31 August 2023, the WSA suspended the proceedings regarding the environmental decision issued by GDOŚ for the Turów Mine until the formal conclusion of proceedings initiated by PGE GiEK S.A. requesting an amendment to the environmental decision. The amendment proceedings ended with a final and binding decision to discontinue the case.

On 13 March 2024, the WSA annulled the GDOŚ decision that had set the environmental conditions for the continued exploitation of the lignite deposit at Turów. The WSA emphasised that this ruling does not imply closure or suspension of operations at the Turów Mine. The ruling is not final.

On 30 April 2024, PGE GiEK S.A. received a copy of the judgment along with its justification. The ruling is not final. On 29 May 2024, PGE GiEK S.A. filed a cassation complaint with the Supreme Administrative Court.

The same judgment was also fully appealed on 17 May 2024 by the General Directorate for Environmental Protection (GDOŚ). Following the delivery of GDOŚ's cassation complaint, PGE GiEK S.A. submitted a response on 2 July 2024, requesting that the complaint be upheld and that the judgment of the Voivodeship Administrative Court be overturned. The judgment was also appealed by environmental organisations, and PGE GiEK S.A. submitted responses to those cassation complaints as well.

In a ruling issued on 18 March 2025, the Supreme Administrative Court overturned the WSA's judgment of 1 February 2022 concerning the immediate enforceability clause attached to the environmental permit issued by the Regional Director for Environmental Protection in Wrocław for the continuation of lignite mining at the Turów Mine, and referred the case back to the WSA for reconsideration. Consequently, the environmental permit issued for the Turów Lignite Mine is currently enforceable.

Matters related to the request from the Polimex-Mostostal consortium for an increase in the contract price for the construction of the CHP plant in Siechnice

On 23 June 2021, a contract was signed for the construction of a gas and steam combined heat and power (CHP) plant for KOGENERACJA S.A. with a consortium consisting of Polimex Mostostal S.A. and Polimex Energetyka sp. z o.o. The contract value at the time of signing was set at PLN 1,159 million net.

Due to what the Consortium considers to be the impact of extraordinary changes in economic conditions—specifically, rising prices of goods and materials resulting from the combined effects of the COVID-19 pandemic and the new phase of armed aggression by the Russian Federation against Ukraine—KOGENERACJA S.A. received requests from the Consortium to increase the contract remuneration. KOGENERACJA S.A. commissioned external legal opinions and technical expert reports, which serve as the basis for mediation aimed at resolving the dispute over the existence of legal and factual grounds and the possible scope of any change to the contract remuneration (and, consequently, the potential signing of a contract valorisation annex), as well as the performance timeline.

On 15 September 2023, the parties entered into a mediation agreement before permanent mediators at the Arbitration Court of the General Counsel to the Republic of Poland. The Consortium estimated its valorisation claim at PLN 344 million net.

On 20 and 26 September 2023, at the request of the Consortium, the District Court in Wrocław issued a decision on securing the Consortium's claim to modify the legal relationship and amend the contract. The court set the value of the security at PLN 344 million net.

Pursuant to the court's decision on securing the claim, until the court proceedings are concluded with final effect, half of the net value of the secured amount—that is, PLN 172 million—shall increase the existing value of the investment-related payments indicated in the request and will be subject to invoicing progressively in line with the Consortium's execution of the works. The decision to grant the security is not final but was issued with an enforcement clause.

On 2 November 2023, the company initiated a formal appeal procedure against the non-final court decision granting the security. On 9 November 2023, the company submitted a request to suspend the enforcement of the aforementioned security decision.

On 13 December 2023, KOGENERACJA S.A. received a decision from the District Court in Wrocław, 10th Commercial Division, dated 1 December 2023, suspending the enforcement of the 20 September 2023 decision to secure the claim, until the complaint against that decision is resolved. Accordingly, KOGENERACJA S.A.'s request of 9 November 2023 was granted. The suspension order was issued with an enforcement clause. On 18 December 2023, KOGENERACJA S.A. submitted a complaint against the District Court's decision of 20 September 2023 concerning the security. At the joint request of both parties, the Court of Appeal in Wrocław suspended the proceedings by decision dated 30 October 2024.

On 12 August 2024, KOGENERACJA S.A. received from the District Court in Wrocław, 10th Commercial Division, a copy of the statement of claim dated 30 October 2023 filed by Polimex Mostostal S.A., requesting the modification of the legal relationship and the amendment of the contract for the construction of the gas-fired CHP plant for Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. in Siechnice. The requested amendment concerns an increase in the contract value by PLN 344 million net, from the original amount of PLN 1,159 million net to PLN 1,503 million net. Based on a joint motion of the Parties dated 22 August 2024, the District Court in Wrocław suspended the proceedings by decision dated 16 October 2024.

On 8 November 2024, following the mediation process, KOGENERACJA S.A. and the Consortium signed a minutes of understanding. According to the document, a partial settlement will be concluded to resolve the dispute related to the Consortium's financial claims for an increase in the contract price. As per the draft annex to the agreement, the contract price will be increased by PLN 157 million net (PLN 194 million gross) due to non-contractual valorisation (arising from changes in circumstances), contractual adjustments, and the performance of additional, substitute, and site risk-related works. The conclusion of the partial settlement and, consequently, the annex, is conditional on obtaining the required corporate approvals, in particular the approval of the General Meeting of the company.

On 25 February 2025, KOGENERACJA S.A. and the Consortium signed an annex to the mediation agreement extending the mediation process until 31 May 2025.

On 13 March 2025, the Extraordinary General Meeting of KOGENERACJA S.A. approved the conclusion of the settlement before the Permanent Mediators of the Arbitration Court at the General Counsel to the Republic of Poland and the signing of Annex No 1 to the agreement with the Consortium (Polimex Mostostal S.A. and Polimex Energetyka Sp. z o.o.) for the construction of the Czechnica 2 CHP plant, increasing the contract value by PLN 157 million. The settlement was signed on 19 March 2025. Annex No 1 to the agreement, attached to the settlement, will be concluded after the settlement is approved by a general court. The dispute concerning the performance deadline specified in the agreement as 30 April 2024 remains subject to the ongoing mediation agreement, which is to be concluded by way of a further annex to the contract.

The Group made payments totalling PLN 37 million under the District Court's ruling on securing the claim, recognised PLN 56 million as estimated investment liabilities, and PLN 64 million as future liabilities under investment contracts.

Decisions of the President of the Energy Regulatory Office regarding annual adjustment of costs incurred in gas-fired units

On 1 August 2023, Elektrociepłownia Zielona Góra S.A. received an administrative decision from the President of the Energy Regulatory Office regarding the amount of the annual cost adjustment for gas-fired units, as referred to in Article 44(1) of the Act on Long-Term Power Purchase Agreements (the Long-Term PPA Act), relating to the year 2022. In the decision, the President of the Energy Regulatory Office set the annual adjustment at PLN 35 million. The company disagrees with the decision and, on 16 August 2023, filed an appeal with the District Court in Warsaw – the Court of Competition and Consumer Protection – along with a request to suspend enforcement of the decision. On 28 September 2023, the court issued a decision to suspend the execution of the President's decision until a final ruling is issued in the case initiated by the appeal. As of the date of publication of these financial statements, the date of the first hearing has not been set.

On 31 July 2024, Elektrociepłownia Zielona Góra S.A. received an administrative decision from the President of the Energy Regulatory Office regarding the annual adjustment for the year 2023. In the decision, the

President set the adjustment at PLN 99 million. The company disagrees with this decision as well and, on 20 August 2024, filed an appeal with the District Court in Warsaw – Court of Competition and Consumer Protection – and, on 30 August 2024, submitted a request to suspend the enforcement of the decision.

On 16 September 2024, the District Court in Warsaw, 17th Division – Court of Competition and Consumer Protection, issued a decision to suspend the execution of the President's decision regarding the settlement of the gas compensation for 2023 until a final ruling is issued in the case initiated by the appeal. As of the date of publication of these financial statements, the date of the first hearing has not been set.

The discrepancy between the company and Energy Regulatory Office in the above matters arises from differing interpretations of the Long-Term PPA Act, in particular Article 46(1)(5) and Article 34. The Group has recognised a liability of PLN 137 million in the accounting records.

Charge to the Price Difference Payment Fund

The issue of the dispute regarding the interpretation of regulations concerning the calculation of the charge to the Price Difference Payment Fund (PDPF) is described in Note 32.4 of these financial statements.

28. Future capital commitments

As at 31 December 2024, the Group had committed to incur expenditures on property, plant and equipment in the amount of approximately PLN 15,137 million. These amounts will primarily be allocated to the construction of offshore wind farms, the construction of new gas-fired units, the modernisation of Group assets, and the purchase of machinery and equipment.

	As at 31 December 2024	As at 31 December 2023**
Renewables	9,781	8,938
Gas-fired Generation	2,383	4,690
Distribution	1,542	2,530
District Heating	1,083	1,094
Conventional Generation	259	288
Railway Energy Services	68	206
Supply	0	2
Other activities	21	14
TOTAL FUTURE CAPITAL COMMITMENTS	**15,137**	**17,762**

** The presented amounts include the 50% share attributable to the PGE CG in the joint operation within the meaning of IFRS 11 Joint Arrangements.*
*** Restarted.*

The most significant future capital commitments relate to:

- Renewables – construction of the Baltica 2 offshore wind farm in the Baltic Sea (including contracts for the supply and installation of offshore wind turbines, service and warranty agreements, the design, manufacture and commissioning of offshore substations, and the supply of foundations and inter-array cables) – approx. PLN 8,748 million; modernisation of the upper reservoir at the Porąbka-Żar pumped-storage power plant – approx. PLN 736 million; design and construction of new photovoltaic installations at over 40 different locations – approx. PLN 117 million.
- Gas-fired Generation – construction of a combined cycle gas turbine (CCGT) unit (PGE Nowy Rybnik sp. z o.o.) – approx. PLN 1,563 million; public service contract for two gas turbines (PGE Gryfino Dolna Odra sp. z o.o.) – approx. PLN 768 million.
- Distribution – investment commitments primarily related to grid assets – approx. PLN 1,542 million.
- District Heating – construction of a cogeneration source based on a gas engine system with a capacity of up to 50 MWe for PGE EC S.A. – Wybrzeże Branch, Gdynia CHP plant – approx. PLN 244 million; construction of the Czechnica-2 gas-fired CHP plant in Siechnice – approx. PLN 265 million; construction of a gas-fired cogeneration unit with gas engines and a backup/peak load heating source in Bydgoszcz – approx. PLN 47 million; construction of a second line of the Waste-to-Energy Plant in Rzeszów – approx. PLN 93 million.

29. Tax settlements

Tax-related obligations and rights are specified in the Constitution, tax acts, and ratified international agreements. According to the Tax Code, tax is defined as a public law, gratuitous, compulsory and non-refundable cash benefit for the State Treasury, voivodeship, poviat or municipality, as provided for in the Tax Act. Taking into consideration the subjective criterion, the taxes in force in Poland can be divided into the following five groups: taxes on income, taxes on turnover, taxes on property, taxes on actions, and other fees not elsewhere classified.

From the point of view of business entities, the most important aspect is taxation of income (corporate income tax), taxation of turnover (goods and services tax, excise tax) and taxation of property (property tax, tax on means of transport). One should not forget about other fees and charges which can be classified as quasi taxes. These include, among others, social insurance contributions.

The basic tax rates are as follows: the corporate income tax rate is 19%, with a reduced rate of 9% available for small enterprises; the standard VAT rate is 23%, with reduced rates of 8%, 5%, and 0%. In addition, certain goods and services are exempt from VAT.

The tax system in Poland is characterised by a high level of changeability and complexity of tax regulations, and high potential penalties for tax crimes or violations. Tax settlements and other activity areas subject to regulations (customs or currency inspections) can undergo inspections conducted by competent authorities entitled to issue fines and penalties together with penalty interest. A competent tax authorities may inspect tax settlements for five years from the end of the calendar year in which the deadline for the payment of tax expires.

Income tax

Minimum income tax

As of 1 January 2024, the previously suspended provisions regarding the minimum income tax have come into force. The minimum tax applies to taxpayers who report a tax loss from sources of income other than capital gains or whose profitability (understood as the ratio of income from sources other than capital gains to revenue from such sources) is lower than 2%. Profitability may be calculated at the level of a group of related companies, and the legislation provides for a number of subjective and objective exemptions. In 2024, no charge arose in this respect.

Global minimum top-up tax

On 1 January 2025, the provisions of the Act of 6 November 2024 on the top-up taxation of constituent entities of multinational and domestic groups entered into force. This act implements into national law the provisions of Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union (known as Pillar 2). In the event of an effective tax rate of less than 15% in a given jurisdiction, a global or national top-up tax will apply. The provisions are effective from 2025, with the option of applying them retrospectively for the 2024 tax year. Based on the simplifications and exemptions provided for in the above-mentioned Act, which may be applied in the initial years of the regulation's application, the PGE CG will be able to benefit from an exemption from the calculation and payment of the domestic top-up tax until and including 2028.

VAT split payment mechanism, obligation to make payments to accounts notified to tax offices

The Group uses funds received from counterparties in VAT accounts to pay its liabilities that contain VAT. The amount of funds held in these VAT accounts at a given date depends mainly on the number of the PGE CG's counterparties that decide to use this mechanism and on the relation between the payment dates of receivables and payables. As at 31 December 2024, the balance of funds held in VAT accounts amounted to PLN 1.272 million.

Reporting of tax schemes (MDR)

New legal regulations have been in force since 2019, introducing mandatory reporting of tax schemes (MDR, i.e. Mandatory Disclosure Rules). As a general rule, a tax scheme should be understood as an arrangement where obtaining a tax advantage is the main or one of the main benefits. In addition, arrangements with so-called special or other special identifying characteristics defined in the rules are designated as a tax scheme. The reporting obligation is extended to three types of entities: promoters, facilitators and beneficiaries. MDR regulations are complex and imprecise in many areas, which causes doubts with respect to their interpretation and practical application.

Excise duty

Due to the incorrect transposition of EU regulations into the Polish legal system, proceedings were initiated at PGE GiEK S.A. in 2009 to recover unduly paid excise duty for the period from January 2006 to February 2009. The irregularity concerned the taxation of electricity at the first stage of its sale—i.e. by producers—whereas the tax should have been levied on sales to so-called final consumers.

In reviewing the company's complaints regarding restitution claims against tax authority decisions refusing to recognise the overpayment of excise duty, administrative courts ruled that the company had not borne the economic burden of the unduly paid excise tax (which, under the resolution of the Supreme Administrative Court (NSA) of 22 June 2011, ref. I GPS 1/11, precludes the possibility of obtaining a tax refund). According to the NSA, the claims demonstrated by the company—particularly through economic analyses—are of a compensatory nature and, as such, may only be pursued before civil courts. As a result, PGE GiEK S.A. decided to withdraw from restitution-related administrative proceedings. The matter is currently being pursued through civil litigation. On 10 January 2020, the District Court in Warsaw issued a ruling in the case brought by PGE GiEK S.A. against the State Treasury – Minister of Finance. The court dismissed the claim. On 3 February 2020, the company filed an appeal against the first-instance judgment with the Court of Appeal in Warsaw. The hearing took place on 2 December 2020, after which, on 17 December 2020, the Court of Appeal in Warsaw dismissed the appeal filed by PGE GiEK S.A. On 23 April 2021, PGE GiEK S.A. submitted a cassation complaint to the Supreme Court. On 20 May 2021, PGE GiEK S.A. received the response from the General Counsel to the Republic of Poland regarding the cassation complaint filed by the company.

Due to significant uncertainty regarding the final resolution of the matter, the Group has not recognised any effects related to potential compensation in the civil proceedings concerning the unduly paid excise tax in its financial statements.

Property tax

Property tax constitutes a significant burden for certain companies within the PGE Capital Group. The regulations governing property tax are unclear in some areas and give rise to numerous interpretative doubts. The tax authorities—namely, the commune head (*wójt*), mayor, or city president—frequently issue inconsistent tax interpretations in substantively similar matters. As a result, Group companies have been and may continue to be parties to proceedings concerning property tax. If the Group considers a settlement adjustment to be probable as a result of such proceedings, an appropriate provision is recognised. Following the Constitutional Tribunal's challenge to the constitutionality of the definition of a 'structure' (*budowla*), an amendment was made to the Act of 12 January 1991 on Local Taxes and Fees, introducing a revised definition of the taxable object. The aim of the legislator—i.e. the Minister of Finance—is to maintain the status quo in terms of the scope of taxation. The legislative amendment is not expected to have a material impact on the property tax burden of the PGE CG companies.

Uncertainty related to tax settlements

Regulations on value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. The legislation in force also contains ambiguities that give rise to differences of opinion as to the legal interpretation of tax provisions, between state authorities as well as between state authorities and business enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be the subject of inspections by the authorities, which are entitled to impose high penalties and fines, and any additional tax liabilities resulting from an inspection must be paid together with high interest. Consequently, tax risk in Poland is higher than in countries with more stable tax systems.

Amounts presented and disclosed in financial statements may change in the future as a result of a final decision of a tax audit authority.

Information on the implemented tax strategy

Pursuant to the provisions of the Income Tax Act, the largest companies of the PGE Capital Group publish annually, on their websites, information on their implemented tax strategy for the previous year. This information includes, among others, data on the procedures applied by the taxpayer with regard to the proper fulfilment of tax obligations, the number of reported tax schemes and requests for interpretation, transactions with related parties and restructuring activities.

The Tax Code includes the provisions of the General Anti-Abuse Rule (GAAR). The GAAR is designed to prevent the use of artificial legal structures created for the purpose of avoiding the payment of tax in Poland. The GAAR defines tax avoidance as an act done primarily for the purpose of obtaining a tax advantage which,

under given circumstances, is contrary to the object and purpose of the provisions of the Tax Act. Under the GAAR, such an act does not result in achieving a tax benefit if the manner of acting was artificial. Any occurrence of unjustified splitting of operations, involvement of intermediary entities despite the lack of economic or business justification, elements that cancel or compensate each other and other actions with effects similar to those previously mentioned, can be treated as an indication of the existence of artificial acts subject to the GAARs. The new regulations will require much more judgement in assessing tax consequences of individual transactions.

The GAAR clause should be applied to transactions carried out after its entry into force and to transactions which were carried out before the effective date of the GAAR clause, but for which benefits were or continue to be obtained after this effective date. The implementation of the aforementioned rules will enable the Polish tax audit authorities to challenge legal arrangements and agreements entered into by taxpayers, such as group restructuring and reorganisation.

The Group recognises and measures current and deferred tax assets or liabilities using the requirements of IAS 12 *Income Taxes* based on tax profit (loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account an assessment of uncertainties related to tax settlements. When there is uncertainty about whether and to what extent an authority will accept particular tax settlements of a transaction, the Group recognises these settlements, taking into account an assessment of uncertainty.

30. Information on related entities

Transactions between the PGE Capital Group and its related entities are based on market prices of delivered goods, products or services or on their production costs.

30.1 Associates and jointly controlled entities

The table below presents the total value of transactions, balances with associates and jointly controlled entities.

	Year ended 31 December 2024	Year ended 31 December 2023
Sale to associates and jointly controlled entities	39	35
Purchase from associates and jointly controlled entities	729	611

	As at 31 December 2024	As at 31 December 2023
Trade receivables from associates and jointly controlled entities	27	97
Trade liabilities to associates and jointly controlled entities	74	66

The value of turnover and balances primarily results from transactions with PEC Bogatynia and Polimex-Mostostal S.A.

30.2 State-controlled entities

The State Treasury is the dominant shareholder of PGE. Therefore, in line with IAS 24 *Related Party Disclosures*, companies owned by the State Treasury are regarded as related entities. The PGE Group companies identify in detail transactions with approx. 40 largest companies controlled by the State Treasury.

The table below presents the total value of transactions, balances with the above entities.

	Year ended 31 December 2024	Year ended 31 December 2023
Sales to related entities	9,600	11,745
Purchases from related entities	16,390	16,170

	As at 31 December 2024	As at 31 December 2023
Trade receivables from related entities	1,176	784
Trade liabilities to related entities	1,694	1,510

The largest transactions involving State Treasury companies relate to PSE S.A., Orlen S.A., PGG S.A., PKO Bank Polski S.A., PKP PLK S.A., PKP Cargo S.A., Jastrzębska Spółka Węglowa S.A., Tauron Dystrybucja S.A., and Enea Operator Sp. z o.o.

In addition, the Group conducts transactions on the energy market via Towarowa Giełda Energii S.A. (Polish Power Exchange). As this entity solely organises exchange-based trading, purchases and sales conducted through it are not considered related party transactions.

The values presented above do not include significant transactions with Zarządca Rozliczeń S.A. related to contributions to the Price Difference Payment Fund (PDPF) and to compensation payments to eligible entities resulting from the introduction of the electricity price cap, as defined in the Act on extraordinary measures to reduce electricity prices and support certain consumers in 2023 of 27 October 2022. These matters are described in Note 32.4 Regulatory Changes in the Electricity Market.

30.3 Management remuneration

Key management personnel includes the Management Board and Supervisory Board of the parent company as well as those of significant subsidiaries.

PLN thousand	Year ended 31 December 2024	Year ended 31 December 2023
Short-term employee benefits (remuneration and surcharges)	43,352	44,503
Post-employment benefits	8,567	4,708
TOTAL KEY MANAGEMENT REMUNERATION	**51,919**	**49,211**
Management remuneration in other operations	16,938	18,563
TOTAL MANAGEMENT REMUNERATION	**68,857**	**67,774**

PLN thousand	Year ended 31 December 2024	Year ended 31 December 2023
Management Board of the parent company	9,510	9,044
including post-employment benefits	*2,814*	*925*
Supervisory Board of the parent company	865	706
Management Boards – subsidiaries	36,899	34,732
including post-employment benefits	*5,753*	*3,783*
Supervisory Boards – subsidiaries	4,645	4,729
TOTAL	**51,919**	**49,211**
Management remuneration in other operations	16,938	18,563
TOTAL MANAGEMENT REMUNERATION	**68,857**	**67,774**

Within companies of the PGE CG (both directly and indirectly owned), it is standard practice that Management Board members are engaged under management service contracts.

In the period ended 31 December 2024, remuneration of key management personnel increased, while remuneration of management personnel in other operations decreased. This is primarily due to changes in the classification of certain entities between core and other operations. Applying the current classification of entities between core and other operations to the comparative period, remuneration of management personnel in other operations would have amounted to PLN 17,686 thousand, and the total remuneration of key management personnel would have amounted to PLN 50,087 thousand.

In Note 7.2 Expenses by nature and by function, these remunerations are presented under other expenses by nature.

31. Remuneration of the audit firm

The entity authorised to audit the separate financial statements of PGE S.A. for 2024, as well as the consolidated financial statements of PGE CG, and to provide the review service for the interim separate and consolidated financial statements for 2024 and 2023, is PKF Consult sp. z o.o. sp.k. (PKF), pursuant to an agreement concluded on 21 January 2022.

The appointment of the above-mentioned audit firm for the years 2022–2024 was made by the Supervisory Board of PGE S.A. PKF is also the entity authorised to audit the annual financial statements of selected companies within the PGE Capital Group.

In 2024 and 2023, the Group also engaged PKF to provide the following services:

- verification of annual and interim reporting packages for consolidation purposes;
- audit of consolidation packages;
- confirmation of compliance with financial covenants specified in financing agreements;
- audit of the annual financial statements of self-balancing branches;
- audit of reports on the revaluation of the regulatory asset base and smart metering systems;
- issuance of a report assessing compliance with the requirements for safekeeping of client assets;
- audit of reports on the use of funds arising from the increase in the Company's share capital;
- confirmation of the accuracy and justification of the amount of funds applied for to finance tasks entrusted to PGE Paliwa Sp. z o.o. under the decision of the Prime Minister dated 13 July 2022;
- assurance services relating to the 2024 sustainability reporting.

The remuneration of PKF and other entities authorised to audit the financial statements of PGE Polska Grupa Energetyczna S.A. and its subsidiaries within PGE CG is presented in the table below.

PLN thousand	Year ended 31 December 2024	Year ended 31 December 2023
Remuneration of the audit firm for:		
Audit of the annual financial statements	3,293	3,366
Review of the interim financial statements	225	260
Other assurance services	1,328	1,190
TOTAL	**4,846**	**4,816**

The amount of PLN 1,328 thousand includes PLN 299 thousand for the assurance engagement related to the 2024 Sustainability Report. The service is provided to PGE S.A. and Kogeneracja S.A.

In the comparative period, the remuneration included an indexation adjustment due to inflation.

32. Significant events and events after the reporting period

32.1 Impact of the war on the territory of Ukraine on the activity of the PGE Group

The Russian war against Ukraine may affect the operations of the PGE Capital Group and its future financial performance. Since the publication of the most recent financial statements, no material changes have been identified in the scope of the reported matters. In particular, the following items may be subject to assessment or revision: the recoverable amount of selected asset items, the level of expected credit losses, and the valuation of financial instruments. The PGE Group continuously monitors the course of the war, as well as its macroeconomic and market consequences. Any events that occur will be appropriately reflected in the Group's future financial statements.

32.2 The coal asset spin-off project

Benefits of spinning off coal assets

The discontinuation of operations in the area of conventional energy generation based on coal combustion results from the strategy of the PGE Capital Group, which aims to achieve climate neutrality by 2050. The spin-off of coal assets will bring tangible benefits to the Group, including in the following areas:

- greater and more favourable access to debt and equity financing sources, lower financing costs;
- greater and more favourable access to the insurance market;
- reduced cash requirements for securing the costs of CO_2 emissions and inventories of production raw materials,
- release of credit limits at financing institutions as a result of reduced demand for CO_2 emission allowances,
- increased ability to allocate financial resources to investments in distribution networks and green technologies, which are characterised by a higher rate of return,
- reduced risk of changes in prices of CO_2 emission allowances.

All of the above measures will, in the opinion of the Management Board, make the Company more attractive to shareholders.

Activities related to a spin-off of coal and lignite power generation assets

On 9 May 2024, by order of the Minister of State Assets, a dedicated team was appointed to oversee the spin- off of coal assets from State Treasury-owned companies in the energy sector.

The team's responsibilities include:

- analysing the conditions for the spin-off of coal assets from State Treasury-owned energy companies,
- cooperating with State Treasury-owned energy companies in developing assumptions, directions, and methods for implementing the spin-off,
- identifying the entities responsible for carrying out the spin-off and allocating tasks among them.

The team commenced its work in the second quarter of 2024.

In February 2025, the Ministry of State Assets (MSA) selected KPMG Advisory sp. z o.o. sp.k. as the adviser supporting the team's work. According to the current timeline declared by MAP, further information on the matter is expected to be presented by the end of the second quarter of 2025.

PGE S.A.'s adviser, PwC Advisory sp. z o.o. sp.k., completed the first stage of work on the coal asset spin-off concept, taking into account current economic and market conditions. The work included the development of a multi-scenario financial model of the coal assets to be spun off, as well as possible options for their separation from the PGE Capital Group. The next stage of work will depend on MSA's decisions regarding the form and timing of the spin-off from the PGE Capital Group.

Recognition of assets related to PGE GiEK S.A. in the financial statements

In the opinion of PGE CG, as at the reporting date, the conditions set out in IFRS 5 regarding a disposal group held for sale are not met in relation to the assets, liabilities, income and expenses of the coal-fired units described.

Consequently, as at 31 December 2024, the assets related to PGE GiEK S.A. have not been reclassified as discontinued operations. PGE S.A. has also not made any adjustments to bring the value of assets related to PGE GiEK S.A. in line with the measurement requirements of IFRS 5. The values of assets, liabilities, revenue, expenses and financial results of the Conventional Generation segment, which reflect the data of PGE GiEK S.A. and its subsidiaries, are presented in Note 6.1 to these financial statements.

The book value of the consolidated net assets of PGE GiEK S.A. and its subsidiaries as at 31 December 2024 is PLN (7,445) million. The book value of the shares in PGE GiEK S.A. in the separate financial statements as at 31 December 2024 is PLN 0.

32.3 Implementation by PGE Paliwa sp. z o.o. of decisions related to the purchase and sale of coal

Between 2022 and 2024, PGE Paliwa implemented decisions issued in mid-2022 by the Prime Minister, instructing the company to purchase at least 3 million tonnes of thermal coal with quality parameters similar to those used by households, and to import it into the country. Due to a significant drop in market coal prices in 2023, and the continued low prices in the first quarter of 2024, PGE Paliwa incurred a negative result on the sale of coal purchased for the purpose of executing the aforementioned decisions, which remained unsold as at 30 April 2023.

The total result on the sale of this coal, together with other costs incurred in relation to the implementation of the decisions, recognised in the financial results for 2024, amounted to PLN (-) 219 million. Coal that was sold by 30 April 2024 had been subject to an impairment write-down as at 31 December 2023, in the amount of PLN 239 million. During 2024, the write-down was partially utilised in the amount of PLN 214 million, of which PLN 178 million was utilised by 30 April 2024. The carrying amount of the write-down as at 31 December 2024 is PLN 40 million.

An agreement signed in 2023 with the Ministry of Climate and Environment concerning the financing of the implementation of the Prime Minister's decisions provides for the reimbursement of costs incurred in connection with the execution of said decisions. The report on the implementation of the decisions as at 30 April 2023, required under the Agreement, was submitted by PGE Paliwa to the Minister of Climate and Environment within the prescribed deadline. The company also submitted an updated report as at 30 April 2024, in accordance with the deadlines set out in the Agreement. On 30 July 2024, the updated report was approved by the Minister of Climate and Environment, and on 7 August 2024, the company received the requested funds in the amount of PLN 483 million net.

In 2023, revenue under the Agreement in the amount of PLN 849 million was recognised. This included PLN 406 million received in 2023 and an estimate of the remaining compensation of PLN 443 million. The final amount of compensation totalled PLN 890 million net, of which PLN 41 million was recognised in the current reporting period.

32.4 Regulatory changes in the electricity market

Support mechanisms for electricity consumers

Due to the crisis situation in the electricity market, the legislator introduced legal regulations that temporarily implemented exceptional solutions regarding electricity pricing and tariffing in 2023. On 18 October 2022, the Act of 7 October 2022 on special measures to protect electricity consumers in 2023 in connection with the situation in the electricity market (hereinafter referred to as the 'Household Consumers Act') entered into force. Subsequently, on 4 November 2022, the Act of 27 October 2022 on extraordinary measures to reduce electricity prices and support certain consumers in 2023 (hereinafter referred to as the 'Extraordinary Measures Act 2023') also came into force. Pursuant to the Household Consumers Act, in 2023, energy undertakings conducting business activities in the field of electricity trading were required to apply prices for household consumers equal to those set out in the tariff in force as at 1 January 2022 for specific tariff groups, up to defined consumption limits. Following the entry into force of the amending act of 16 August 2023, these consumption limits were increased by an additional 1 MWh for each consumer category. Once the consumption limits had been exceeded, a maximum price of PLN 693/MWh (excluding VAT and excise duty) applied to settlements with household consumers, in accordance with the Extraordinary Measures Act 2023. This means that electricity prices were determined directly by legal provisions, and therefore, in 2023, the tariffs approved by the President of the Energy Regulatory Office did not have a direct impact on electricity prices for household consumers.

Furthermore, pursuant to the Extraordinary Measures Act 2023, the maximum electricity price for other eligible consumers was initially set at PLN 785/MWh (excluding VAT and excise duty). Following the entry into force of the Act of 16 August 2023 amending the Household Consumers Act and certain other acts, the maximum price was aligned with that applicable to household consumers, i.e. PLN 693/MWh. This price generally applied from 1 December 2022; however, the revised maximum price of PLN 693/MWh applied from 1 October 2023 until 31 December 2023. The indicated price cap for eligible consumers also applied to electricity sales contracts concluded or amended after 23 February 2022. In such cases, the maximum price was also applicable to settlements for the period from the date of conclusion or amendment of the contract until 30 November 2022. Electricity undertakings were required to gradually return the amounts resulting from the application of the price caps by the end of 2023.

Electricity undertakings conducting business activities in the field of electricity trading were entitled, under the implemented regulations, to receive compensation for applying, in settlements with household consumers, electricity prices equal to those in effect on 1 January 2022. The compensation was calculated as the product of the volume of electricity consumed at a consumption point (up to the maximum consumption limits entitling consumers to 2022 prices) and the difference between the electricity price resulting from the tariff approved by the President of the Energy Regulatory Office for 2023 and the price set in the 2022 tariff. Furthermore, for applying the maximum price of PLN 693/MWh in settlements with household consumers, trading companies were entitled to compensation calculated as the product of the electricity volume consumed in a given month and the difference between the reference price and the maximum price, for each electricity consumption point. The reference price was the electricity price resulting from the tariff approved by the President of the Energy Regulatory Office for 2023. Compensation was also available for applying the maximum prices in settlements with other eligible entities. In such cases, the reference price for compensation payments was, in principle, calculated based on electricity prices in exchange-traded contracts and the purchase price of electricity intended for resale to the eligible customer, increased by the cost of redeeming origin certificates and a margin.

The mechanisms introduced under the Household Consumers Act and the Extraordinary Measures Act 2023 were, in principle, intended to compensate trading companies for the price reductions.

Pursuant to the provisions of the Act of 7 December 2023 amending certain acts to support electricity, gas and heat consumers, which entered into force on 31 December 2023 (the '2024 Act'), the tariff freeze mechanisms and the maximum price were extended until 30 June 2024.

On 13 June 2024, the Act on the energy voucher and on the amendment of certain acts to limit the prices of electricity, natural gas and district heating entered into force. The Act governs the rules for electricity pricing from 1 July 2024 to 31 December 2024. The Act imposes an obligation on electricity trading companies to submit an application for an amendment to the applicable 2024 electricity tariff within seven days of the Act's entry into force or upon request of the President of the Energy Regulatory Office. According to the draft legislation, the amended tariff is to apply from 1 July 2024 to 31 December 2025. By decision of 28 June 2024, the President of the Energy Regulatory Office approved an amendment to the electricity tariff of PGE Obrót S.A. for the period from 1 July 2024 to 31 December 2025. The approved electricity price for consumers in tariff group G, specifically tariff subgroup G11, is PLN 628/MWh. The Act also extends the applicability of the electricity price cap mechanism. In the second half of 2024, the price cap is set at PLN 500/MWh for household consumers, and at PLN 693/MWh for local government units and public utility entities (including schools, hospitals and social welfare institutions), as well as for micro, small and medium-sized enterprises.

If the tariff approved by the President of the Energy Regulatory Office is higher than the capped price for household consumers, such consumers will be billed at the maximum price of PLN 500/MWh. For applying the maximum price in settlements with consumers, trading companies are entitled to compensation equal to the difference between the tariff price or contract price effective from 1 July 2024 and the maximum price, in accordance with the principles set out in the Act.

Electricity consumers who have entered into dynamic pricing contracts are excluded from the application of the capped price mechanism.

In 2024, revenue from compensation amounted to PLN 3,792 million. The funds received by the sales companies were intended to compensate for the losses incurred due to the electricity price freeze.

The above amounts relating to compensation due are estimates determined based on the best information available to the PGE Capital Group as at the date of preparation of these financial statements.

On 19 November 2024, the Council of Ministers adopted a draft act amending the Act on extraordinary measures aimed at limiting electricity prices and supporting certain consumers in 2023 and 2024, as well as certain other acts. On the same day, the draft was submitted to the Sejm. The act entered into force on 12 December 2024. The new legislation maintains the application of the electricity price cap at PLN 500/MWh for household consumers until 30 September 2025, and at PLN 693/MWh for local government units and public utility entities (including schools, hospitals, and social welfare institutions). At the same time, as of 1 January 2025, the price cap is no longer applicable to micro, small and medium-sized enterprises. In addition, the amended act introduces an obligation for electricity trading companies to submit, by 30 April 2025, an application to amend the electricity tariff applicable until 31 December 2025. This may result in a reduction in the electricity tariff price during certain months of 2025.

Price Difference Payment Fund

As of 1 December 2022, the financial position of PGE CG was also affected by the provisions of the Extraordinary Measures Act 2023, which introduced the obligation for electricity generators and electricity trading companies to make monthly contributions to the account of the Price Difference Payment Fund (PDPF).

The contribution to the Fund was calculated as the product of the volume of electricity sold and the positive difference between the volume-weighted average market price of the electricity sold and the volume-weighted average price cap of the electricity sold, as regulated by the Regulation of the Council of Ministers of 8 November 2022 on the method of calculating the price cap.

Different methods for calculating the price cap were established depending on the generation source:

- In the case of units generating electricity from lignite and hard coal, the price cap took into account, among other factors, the unit cost of fuel consumed, the cost of CO_2 emission allowances, the efficiency of generation units, a margin, and a specified amount for investment and fixed cost coverage of PLN 50/MWh.
- For units generating electricity from renewable sources, the price cap was determined by reference to the reference price as defined in Article 77(3)(1) of the Renewable Energy Sources Act; for hydropower plants, the price cap was set at 40% of that reference price.

As regards electricity trading companies:

- for electricity sold to end-users, the price limit is the product of the volume-weighted average price of electricity purchased on a given day and a margin defined as 1.035 or 1.03 (plus the unit cost of redemption of certificates of origin),
- for electricity sold to customers other than end users, the price cap was calculated as the product of the volume-weighted average purchase price of electricity on a given day and a margin defined as 1.015 or 1.01.

From 1 January 2023 onwards, trading companies calculate the amount of the contribution to the Fund for a given calendar month to which the settlement relates, taking into account the volume of electricity sales, the market price and the price limit for the 3 decades of that month, i.e. from the 1st to the 10th, from the 11th to the 20th and from the 21st to the last day of a month. Until 31 December 2022, the contribution to the Fund was calculated separately for each day of the month.

On 1 March and 1 September 2023, amendments to the provisions of the Extraordinary Measures Act 2023 governing the rules of making contributions to the Fund came into force. The change included, among other things, an expansion of the catalogue of revenues that form the basis for calculating the contribution to the Fund. As a result, the total amount of contributions made by PGE CG increased.

In 2023, the contribution due to the Price Difference Payment Fund (PDPF) amounted to PLN 6,569 million (recognised as a reduction in financial result). In turn, revenue from compensation for 2023 amounted to PLN 7,658 million. Revenue from compensation is independent of the amount of contributions made to PDPF. As described above, the funds received by the sales companies were intended to compensate for the losses incurred due to the electricity price freeze, whereas the contributions to PDPF reduced the margins achieved by individual energy undertakings to the detailed levels specified in the regulations.

The system of contributions to the Fund for settlement periods in 2023 was not closed by 31 December 2023. Contributions to the Fund also had to be made in 2024 for electricity sold during the final weeks of 2023. The legislator did not extend the obligation to make contributions to the Fund for 2024 in the 2024 Act, which means that the last month for which a contribution to PDPF was required was December 2023. In 2024, an adjustment to the Fund contribution in the amount of PLN 208 million was recognised as a reduction in costs, relating to the previous period.

In connection with discrepancies concerning the interpretation of the provisions and the qualification of revenue from additional cash settlements, which should be taken into account in the calculation of contributions to the Fund, PGE S.A. applied to the President of the Energy Regulatory Office for an individual interpretation confirming the applied interpretation of the Act, as a result of which revenue from selected agreements should not be taken into account in the calculation of contributions to the Fund. The President of the Energy Regulatory Office did not share the Company's position. Disagreeing with the unfavourable decision of the President of the Energy Regulatory Office, PGE S.A. filed an appeal with the Regional Court in Warsaw. At the same time, the Company paid the contribution to the Fund in accordance with the decision of the President of the Energy Regulatory Office, while reserving the right to claim a refund of the amounts paid.

With regard to retail sales companies, there is also a difference in interpretation of the provisions of the Act between the companies of PGE Capital Group and the President of the Energy Regulatory Office. The divergence concerns the determination of the volume-weighted average market price of electricity sold, which was used to calculate the required contributions to the Fund. According to the President of the Energy Regulatory Office, the price should be determined on the basis of the value arising from the sales contract or the approved tariff in respect of prices and charges applicable to 2023. It should be emphasised that this was not the maximum price applied in settlements with eligible consumers. Applying the calculation method for Fund contributions as proposed by the President of the Energy Regulatory Office would result in the obligation

to contribute based on hypothetical amounts which do not and will not constitute revenue for electricity companies, as those values exceed the maximum prices applied in settlements with consumers. These are amounts that trading companies will never receive from customers. Members of the TOE (including PGE Obrót) sent a letter to the President of the Energy Regulatory Office, in which, in addition to providing substantive arguments, they pointed out that a situation in which the interpretation of the Act is changed by way of explanatory guidance is non-transparent and discriminatory.

Companies are required to complete the final settlement of their PDPF contributions by 30 April 2025. According to statements made by the President of the Energy Regulatory Office, once the settlement reports have been approved, audits of the submitted reports and the amounts contributed will be carried out in energy companies. The companies of the PGE Capital Group calculated the contributions due to the Fund in accordance with their own interpretation of the legislation, also relying on external legal opinions as well as the interpretation of the provisions provided by the Ministry of Climate and Environment and Zarządca Rozliczeń S.A. Nonetheless, in view of the above-mentioned divergence in interpretation of the Act, there is a risk that the submitted reports and the amounts of contributions calculated and paid to the Fund may be challenged.

The PGE Capital Group is confident in the correctness of its interpretation of the legislation and, in view of the potential dispute, has not recognised any provisions in these financial statements.

Regulation of the Minister of Climate and Environment of 9 September 2023

On 11 September 2023, a Regulation of the Minister of Climate and Environment dated 9 September 2023 amending the Regulation on the method of setting and calculating tariffs and on settlements in electricity trading was published. The Regulation entered into force on 19 September 2023. This Regulation provided for a reduction in electricity bills for household consumers of, on average, PLN 125 in 2023, provided that at least one of the enumerated conditions set out in the regulation was met. Electricity trading companies were required to apply the reduction no later than on the final electricity invoice issued for 2023. No compensation has yet been granted to trading companies in respect of this reduction, due to the absence of legal provisions providing a basis for such compensation.

As at 31 December 2023, based on the number of consumers who met at least one of the eligibility criteria set out in the Regulation, revenue was reduced by PLN 535 million (of which PLN 230 million represented an estimate). By 31 December 2024, the entire amount had been settled.

On 10 June 2024, PGE CG received a tax interpretation confirming the right to reduce the tax base and the amount of output tax in connection with the above-described PLN 125 bill reduction. Estimated benefit for the Group from this is approx. PLN 97 million.

32.5 Concluding an agreement and establishing a special purpose vehicle for the nuclear power plant project

On 31 October 2022 PGE Polska Grupa Energetyczna S.A. and Korea Hydro & Nuclear Power Co. Ltd. and ZE PAK S.A. letter of intent to start cooperation within the framework of the strategic Polish-Korean project to build a nuclear power plant at the Pątnów-Konin site. The planned capacity of the plant is 2,800 MW, based on the use of two PWR (Pressurised Water Reactor) nuclear reactors with the Korean APR 1400 technology. The cooperation also includes field and environmental studies, the implementation of a feasibility study and the obtainment of all necessary administrative decisions.

In the Polish Nuclear Power Programme, the Pątnów-Konin area is recommended as one of the possible locations for the construction of a nuclear power plant in Poland. The investment project is also in line with the principles of the development of nuclear technologies contained in Poland's Energy Policy until 2040.

In 2023, PGE Polska Grupa Energetyczna S.A. and ZE PAK S.A. established the company PGE PAK Energia Jądrowa S.A., in which each holds a 50% share.

On 16 August 2023, PGE PAK Energia Jądrowa S.A. filed an application with the Ministry of the Economy for the issuance of a fundamental decision for the construction of a nuclear power plant in the Konin region.

On 24 November 2023, the Ministry of Climate and Environment issued the Basic Decision for the construction of a nuclear power plant in the Konin region.

On 23 January 2025, the Company signed a Term Sheet with ZE PAK S.A. regarding a potential transaction involving the acquisition by PGE S.A. of

100% of the shares in PAK CCGT sp. z o.o. ('Shares'), and

50% of the shares in PGE PAK Energia Jądrowa S.A. ('Equity Interest').

The Term Sheet sets out the basic terms of the potential acquisition of the Shares and Equity Interest and grants PGE S.A. exclusive negotiation rights in this regard until 30 June 2025 (the planned transaction closing date). The document does not, however, oblige the parties to complete the transaction. The detailed terms of the transaction will be determined following a due diligence process conducted by PGE S.A. with the support of external legal, financial and tax, and technical and environmental advisers.

32.6 Implementation and financing of the Baltica 2 Project

On 28 January 2025, the Supervisory Board of PGE adopted a resolution approving the construction of an offshore wind farm with a planned maximum capacity of 1,498 MW (the Baltica 2 Project), to be implemented by Elektrownia Wiatrowa Baltica – 2 sp. z o.o., and approving the conclusion and execution by PGE of the agreements related to the implementation of the Baltica 2 Project.

On 29 January 2025, Elektrownia Wiatrowa Baltica – 2 sp. z o.o. and relevant entities from the PGE and Ørsted Capital Groups concluded a number of agreements related to the construction of the offshore wind farm. The conclusion of these agreements is connected with preparations for the adoption by the shareholders of Elektrownia Wiatrowa Baltica – 2 sp. z o.o. of a resolution on the Final Investment Decision (FID) initiating the construction phase of the Baltica 2 Project. The agreements concluded include, among others:

- an amended shareholders' agreement, regulating in particular: corporate governance rules of the company during the construction phase, the rules for the functioning of the integrated project team during the construction phase, the parties' obligations in terms of financing and other types of support for the company in connection with the construction, restrictions on the transferability of shares, and consequences of material breach of obligations or a change of control over the shareholders;
- agreements regulating the provision of construction management services by the relevant PGE Group entity (onshore) and by the relevant Ørsted Group entity (offshore);
- agreements regulating the provision of operation and maintenance services for the wind farm under the Baltica 2 Project after commissioning, by the relevant PGE and Ørsted Group entities;
- shareholder loan agreements, under which the shareholders will provide the company with debt financing (in addition to equity financing);
- agreements regarding the sale of electricity generated by the offshore wind farm under the Baltica 2 Project to the shareholders of the company.

Simultaneously with the conclusion of the above agreements, PGE Baltica 6 sp. z o.o. entered into loan agreements along with corresponding security agreements to finance the construction of the Baltica 2 Project. The loan agreements were concluded with a consortium of 25 Polish and international financial institutions, including BGK, EIB, and EBRD. Based on the loan agreements, the company will obtain project finance (non-recourse model) of approximately PLN 11.1 billion for the construction period and a further 22 years, and will also have the option to use additional and reserve credit lines amounting to approximately PLN 1.5 billion.

The repayment of obligations incurred under the loan agreements will be based on the future cash flows generated by EWB2.

On 29 January 2025, the shareholders of EWB2 adopted a resolution on the Final Investment Decision, commencing the construction phase of the Baltica 2 offshore wind farm. The first energy generation under the project is scheduled for the first half of 2027, with the commissioning of the entire project planned for the second half of 2027. The total project budget, including capital expenditures during both the development and construction phases, as well as operational costs during the construction phase, is estimated at approximately PLN 30 billion, with the shareholders responsible for providing financing in equal shares.

32.7 Signing of loan agreements with Bank Gospodarstwa Krajowego within National Recovery and Resilience Plan

On 31 March 2025 PGE Polska Grupa Energetyczna S.A. and Bank Gospodarstwa Krajowego have signed two loan agreements for funds from National Recovery and Resilience Plan for a total amount of approx. PLN 12.1 billion, including respectively:

- approx. PLN 9,521 million for financing of projects pursued by PGE Dystrybucja S.A. and
- approx. PLN 2,566 million for financing of projects pursued by PGE Energetyka Kolejowa S.A.

The loans are granted from NRRP funds under Investment G3.1.4 "Support of the national power system (Energy Support Fund)" in accordance with the "Rules of Application for BGK's electricity grid loans".

The funds from the Loan Agreements will be used solely for financing of eligible expenditures related to implementation of the following projects:

PGE Dystrybucja S.A.: Improving the capacity to integrate renewable energy sources and improving the security of electricity supplies through construction and modernisation of the electricity grid (the "Distribution Project"),

PGE Energetyka Kolejowa S.A.: strengthening of security, improving the energy quality and improving the capacity to connect larger number of RES to the distribution grid feeding the Polish railways and the accompanying ecosystem (the „Railway Energy Services Project").

According to the Loan Agreements the Company will be able to use the funds provided that standard conditions precedent for bank financing are fulfilled and after signing of required documentation with PGE Dystrybucja S.A. and PGE Energetyka Kolejowa S.A., including intra-group loan agreements.

The funds from the Loan Agreements will be released successively, based on the pay-out applications, as the Distribution Project and the Railway Energy Services Project progress, but not later than on December 20, 2036 and up to the amount of funds remitted to BGK for this purpose by the minister responsible for climate and environment.

The Loan Agreements will bear fixed interest rate of 0.5% per annum, and the repayment is projected in semi-annual installments in the period 2034-2049 (the final maturity date is December 20, 2049).

According to the Loan Agreements the amount of the financing may be increased, what will require signing of relevant annexes to the Loan Agreements.

33. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on 14 April 2025.

Warsaw, 14 April 2025

Signatures of the Members of the Management Board of PGE Polska Grupa Energetyczna S.A.

President of the Management Board	**Dariusz Marzec**	*signed with a qualified electronic signature*
Vice President of the Management Board	**Maciej Górski**	*signed with a qualified electronic signature*
Vice President of the Management Board	**Przemysław Jastrzębski**	*signed with a qualified electronic signature*
Vice President of the Management Board	**Robert Kowalski**	*signed with a qualified electronic signature*
Vice President of the Management Board	**Marcin Laskowski**	*signed with a qualified electronic signature*

Signature of the person responsible for the preparation of the financial statements	Michał Skiba Director of the Reporting and Taxation Department	*signed with a qualified electronic signature*

34. Glossary of terms and abbreviations

Below is a list of the most common terms and abbreviations used in these consolidated financial statements.

Abbreviation	Full name
BAT	Best Available Technology
BGK	Bank Gospodarstwa Krajowego
CCIRS	Cross Currency Interest Rate Swaps
CGU	Cash Generating Units
EBI	European Investment Bank
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBRD	European Bank for Reconstruction and Development
EPS 550	The criterion of carbon dioxide emission per unit of electricity produced introduced as part of the so-called Winter Package, conditioning the participation of generating units in the capacity market – the limit is 550 g CO_2/kWh.
ENESTA	ENESTA sp. z o.o in restructuring
EUA	European Union Allowances
EWB2, EWB3	Elektrownia Wiatrowa Baltica–2 sp. z o.o., Elektrownia Wiatrowa Baltica–3 sp. z o.o.
FID	Final Investment Decision
MDF	Mine Decommissioning Fund
PDPF	Price Difference Payment Fund
GDOŚ	General Directorate for Environmental Protection
PGE Capital Group, PGE Group, Group, PGE CG	The Capital Group of PGE Polska Grupa Energetyczna S.A.
GUS	Statistics Poland
DCS	Deal Contingent Swaps
IRGiT	Izba Rozliczeniowa Giełd Towarowych S.A.
IRS	Interest Rate Swaps
LTC	Long-term contracts for the sale of capacity and electricity
IFRIC	Interpretations of the International Financial Reporting Interpretations Committee
KOGENARACJA S.A.	Zespół Elektrociepłowni Wrocławskich KOGENARACJA S.A.
NRRP	National Recovery and Resilience Plan
NPS	National Power System
OWF Baltica 2	Offshore Wind Farm Baltica 2
MCE	Ministry of Climate and Environment
IFRS	International Financial Reporting Standards
EU IFRS	International Financial Reporting Standards as adopted by the European Union
NABE	Narodowa Agencja Bezpieczeństwa Energetycznego S.A.
NFOŚiGW	National Fund for Environmental Protection and Water Management
IP	Investment property
SAC	Supreme Administrative Court
TSO	Transmission System Operator
RTUA	Rights to use assets
PEC Bogatynia	Przedsiębiorstwo Energetyki Cieplnej S.A. w Bogatyni
PGE S.A., Company, parent company	PGE Polska Grupa Energetyczna S.A.
PGE EC S.A.	PGE Energia Cieplna S.A.
PGE EKH sp. z o.o.	PGE Energetyka Kolejowa Holding sp. z o.o.
PGE EO S.A.	PGE Energia Odnawialna S.A.
PGE GiEK S.A.	PGE Górnictwo i Energetyka Konwencjonalna S.A.
PV programme	Photovoltaic programme
PGE GIEK S.A. o/ELT	PGE Górnictwo i Energetyka Konwencjonalna S.A., Turów Power Plant Branch
PPA	Power Purchase Agreement
RPUL	Right of perpetual usufruct of land
PPE	Property, plant and equipment
ABA	Autonomous Board of Appeal
Financial statements, consolidated financial statements	Consolidated financial statements of the PGE Capital Group
TGE	Polish Power Exchange
ERO	Energy Regulatory Office
Household Consumers Act	Act of 7 October 2022 on special solutions for the protection of electricity customers in 2023 in connection with the situation on the electricity market ([*Journal of Laws*] 2023.269, consolidated text of 09.02.2023)
Extraordinary Measures Act 2023	Act of 27 October 2022 on extraordinary measures to reduce electricity prices and support certain customers in 2023 ([*Journal of Laws*] 2022.2243 of 3 November 2022)
WACC	Weighted Average Cost of Capital
WFOŚiGW	Voivodeship Fund for Environmental Protection and Water Management
IA	Intangible assets
VAC	Voivodeship Administrative Court
CSBF	Company Social Benefits Fund